A **vision** that is clear

Committed to the **mission**

values that matter

ANNUAL REPORT 2010-2011

CANADA LANDS COMPANY LIMITED
SOCIÉTÉ IMMOBILIÈRE DU CANADA LIMITÉE

Table of Contents

1 Letter to the Minister

2 Message from the Chairman

3 Board of Directors

4 President's Message

5 Vision, Mission, Values

6 Corporate Governance

8 Enterprise Risk Management and Internal Controls

9 Balanced Scorecard

17 Pleasantville

18 Les Bassins du Nouveau Havre

19 CN Tower Base Lands

20 Currie Barracks

21 Brandt's Creek

22 CN Tower

24 Year in Review

26 Senior Management Team

Financial

28 Management's Discussion and Analysis

40 Management's Responsibility for Financial Reporting

41 Declaration

42 Auditor's Report

43 Consolidated Financial Statements

47 Notes to Consolidated Financial Statements

56 Corporate Directory

Who we are

What we do

Why we do it

CLC Major Projects

Letter to the Minister

The Honourable Rona Ambrose,
Minister of Public Works and Government Services Canada,
Ottawa, Ontario

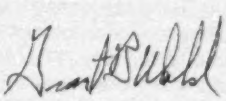
As in previous years, the company's actions continue to be guided by the two goals of operational excellence and prudent financial management. The enclosed performance results and project highlights demonstrate that 2010-2011 was a highly successful year for the company.

As set out in its mandate, during the past year CLCL worked through its CLC subsidiary to optimize the financial and community value of strategic properties that are no longer required for program purposes by the Government of Canada. As you will see by the projects highlighted in this year's annual report, the company is working in all parts of Canada to bring strategic surplus government properties back into productive use.

In 2010-2011, CLCL made major progress on a number of its existing projects. I am particularly pleased to highlight the rapid progress made on the Montreal's New Harbourfront initiative. As you know, CLCL was designated as master developer of five federal properties in the harbour area by the federal government. The company is honoured to contribute to the revitalization of these properties and, by extension, the improvement in the quality of life for all residents of Montréal through this important redevelopment effort.

During the coming fiscal year, CLCL's goal is to build on its strong record of achievement by identifying new opportunities to innovate and by overcoming new challenges. Since the company's inception, it has worked closely with its stakeholders, and will remain true to this tradition in 2011-2012. We have a record of excellence to uphold in the orderly disposition and management of selected strategic properties, and a trust to keep and use as a solid base from which to grow.

On behalf of CLCL and its CLC real estate subsidiary, I want to welcome you as you acquaint yourself with CLCL. Whatever the future may bring, CLCL will continue to fulfill its mandate of assisting the Government of Canada in optimizing the financial and community value obtained from unproductive and often difficult to redevelop government real estate assets no longer required for program purposes. We will, furthermore, accomplish this while adhering to a robust governance regime and continually seeking improvement and the highest standards that are the cornerstone of our corporate culture.



Grant B. Walsh
Chairman
Board of Directors
Canada Lands Company Limited
Canada Lands Company CLC Limited

Message from the Chairman

A Trust to Keep

It was an honour and a privilege for me to be appointed Chairman of Canada Lands Company Limited (CLCL) in June 2010. Since that time, I have worked closely with the board of directors and senior management team and have been impressed by the dedication of the organization to optimize the financial and community value of real estate properties no longer required by the Government of Canada.

The company's impressive track record of success speaks for itself. Since its inception in 1995, the company has paid $392.8 million in cumulative distributions to the government as dividends, up-front payments and note repayments for properties. This is in addition to the $7.1 billion in development expenditures that the company has stimulated for all past and current projects.

CLCL makes financial contributions to its shareholder in five primary areas. These include the purchase of excess properties at market value, the offset of government carrying expenditures, the payment of taxes on properties purchased, the economic stimulus and development of property, and the payment of dividends to the shareholder. I am so proud to be able to work with such a wonderful team that has been able to achieve these results.

Although the membership of CLCL's board has changed over time, one thing has remained constant and unwavering – the commitment of our board members to ensuring excellence in the area of corporate governance. The board is committed to doing the right work and concentrating its efforts on appropriate governance activities.

As outlined in the governance section of this annual report on page 6, we accomplished much in this area during 2010-2011, including the separation of Consent Agenda from Action Item Agenda for board consideration; restructuring committee composition; instituting a committee of the whole concept; appointing a Vice Chairman, Governance Committee; creating a new ad hoc Legal Affairs Committee; and implementing board meeting evaluation surveys that are completed at the end of each meeting. The meeting evaluation process is a step in a more advanced board evaluation process.

The board of directors recognizes that its responsibilities include:

- To recruit, retain, evaluate and compensate the Chief Executive Officer
- To approve the strategic direction
- To provide high level operational oversight, and
- To perform the audit function, which measures not only financial accountability, but evaluates risk.

The past fiscal year was a period of introspection for our organization, and the board led an effective process to clearly define a renewed strategic direction. This initiative, engaging both the board of directors and the senior management team, has resulted in the new Vision, Mission and Values statements, along with the identification of four strategic pillars (strategic direction statements), featured on page 5 of this annual report.

As part of this renewed strategic direction, the board decided that it was time to conduct an organizational strategic review of the company, as good governance dictates from time to time. By assessing CLCL's organizational structure and operational effectiveness, this review will ensure that the company is appropriately positioned to meet the challenges of the future. Through operational introspection, we will answer the question, "Are the right people doing the right work at the right time, place and cost to meet the needs of our shareholder?"

I am proud to be associated with CLCL and for the honour and opportunity of serving our shareholder, the Government of Canada, in this important mandate. As a board of directors, we commit ourselves to adding value through our efforts on behalf of our shareholder.

You will find many significant achievements, both financial and non-financial, described in this annual report. These include success in community outreach initiatives and major contributions to heritage commemoration. More information about Canada Lands Company Limited and its projects is available via www.clcl.ca.

Grant B. Walsh
Chairman
Board of Directors
Canada Lands Company Limited
Canada Lands Company CLC Limited

Board of Directors

Left to right: Lloyd Fogler, Clint Hames, Grant Walsh, Louise Pelletier, Mark Laroche, Michael Evans, Wayne MacIntosh, Alana McPhee

Grant B. Walsh, MBA, C.Dir, is a Chairman / Corporate Director / CEO with over 30 years experience in a variety of industries in the United States and Canada.

In addition to serving as the Chairman of Canada Lands Company Limited and Canada Lands Company CLC Limited, Mr. Walsh is Chairman of Walsh Delta Group Inc., a consulting firm specializing in governance, strategy, performance improvement and alternative dispute resolution. He also serves as Chairman of Medifocus Inc. and as a Director of Cleveland Clinic Canada and Yinfu Gold Corporation.

Mr. Walsh has been the CEO of healthcare and service companies across North America and was Executive-in-Residence / Adjunct Professor at the DeGroote School of Business of McMaster University, Hamilton, Ontario.

He holds a Master of Business Administration degree in finance from Southern Illinois University and a designation as a Chartered Director from McMaster University and the Conference Board of Canada. He is a member of the Institute of Corporate Directors, the ADR (Alternative Dispute Resolution) Institute of Canada, and the ADR Institute of Ontario.

W. Michael Evans, MBA, is President of Atlis Development Corporation, a private commercial real estate development company active throughout Western Canada. He has a Bachelor of Engineering from McGill University and a Master of Business Administration from the Ivey Business School at the University of Western Ontario.

Lloyd S.D. Fogler, QC, LL.B, BCom, is a senior partner at Fogler, Rubinoff LLP in Toronto. He is past chair, current director and honorary officer of both Mount Sinai Hospital and Mount Sinai Hospital Foundation. He is also a past trustee, and now an honorary trustee, of the Board of Trustees of the Royal Ontario Museum.

Clint Hames is President of Hames & Associates Consulting Ltd. and Vice President and CEO of Pacific Developmental Pathways Ltd, both of which were founded in 1993. He was the director of vocational and employment services with the Chilliwack Society for Community Living from 1975 to 1993. In 1990, he was elected as a city councillor and subsequently served as Mayor of Chilliwack, B.C. from 1999 to 2008. Mr. Hames was awarded the Queen Elizabeth II Golden Jubilee Medal for community service in 2003.

Mark D. Laroche is President and CEO. Mr. Laroche holds a master's degree in business administration from Concordia University and a bachelor of civil engineering degree from the Royal Military College of Canada, and is a Chartered Director of the Directors College. He was previously Chief Administrative Officer of the City of Gatineau, Québec, and has held senior positions with other Canadian municipalities. Mr. Laroche currently serves on two not-for-profit boards.

Wayne MacIntosh, CA, is an executive working in Nova Scotia's energy industry. Mr. MacIntosh was also a partner for more than 20 years at Grant Thornton LLP, where he provided financial management and counselling services to a wide range of businesses and government clients across Eastern Nova Scotia.

Alana McPhee, B.Comm., LL.B., is a Senior Vice President with Macquarie Group Limited, a global provider of banking, financial, advisory, investment and fund management services, and was formerly a corporate securities law partner with Davies Ward. She served as Director and Secretary of the Women in Capital Markets Association and was previously on the Board of Trustees of the Toronto International Dance Festival. Ms McPhee obtained a bachelor of laws degree from Dalhousie Law School and a bachelor of commerce degree in finance and marketing from St. Mary's University.

Louise N. Pelletier, BA, LL.B, LL.M, is Vice President, Legal Affairs for SITQ. She manages the legal group assigned to the residential, hospitality and investment fund activities of the company. SITQ is an affiliate of the Caisse de Dépôt et ce Placement du Québec with real estate assets in Canada, the US, Europe and India. She is a member of the Québec Bar and of the Law Society of New Brunswick. Ms Pelletier has spoken at a number of real estate conferences and is also involved in community service.

President's Message

A Year of Success, A Year of New Directions

All companies – including Crown corporations – have had to rethink how they operate since the "Great Recession" of 2008. One result of that economically stressful time is the rise of unprecedented public expectations regarding corporate transparency. In the case of Canada Lands Company Limited's (CLCL), I believe it is no exaggeration to say that we were better prepared than many for this "new normal." As the Government of Canada's real estate development arm, the sensitive nature of the strategic assets we work with has long accustomed us to being open with stakeholders about our corporate vision and our values.

This latest corporate annual report demonstrates that CLCL is not only complying with these demands for greater transparency – we are embracing them, and moving our corporate reporting in new directions to accommodate this shift in expectations.

I am happy to report that, in 2010-2011, CLCL paid a dividend of $8.5 million to our shareholder, the Government of Canada, and also made $11.9 million in note repayments to the Receiver General for Canada.

CLC had a net income before tax (NIBT) of $38.2 million. This is the second highest NIBT in CLC's history, and includes Real Estate/Corporate of $28.1 million and CN Tower of $9.7 million. The gross revenues of $217.8 million are comprised mainly of property sales of $104.5 million, CN Tower revenues of $54.8 million, and revenues from our Hotel InterContinental property of $42.4 million.

You will note some improvements to this year's annual report, as the company moves in the direction of enhancing its corporate reporting, particularly in the area of sustainability. For example, we have included more comprehensive reporting data and discussion of our achievements, going far beyond a mere statement of the profits we earn, and the dividends we provide to our shareholder. As you will see in our newly revised balanced scorecard, our reporting emphasizes the many other financial, environmental and societal benefits we produce when we undertake the development of a property, and enshrines principles like smart growth, new urbanism and green-building into our planning.

These benefits are by far the most important part of the value we create for our various stakeholders. I believe that when one looks at our achievements in the context of the total value created, the company's story becomes much more compelling, and provides a clearer idea of the impact it has every day on the quality of life of Canadians.

As the balanced scorecard shows, the company serves a valuable role in eliminating the substantial ongoing government carrying costs associated with its surplus properties, while creating lasting legacies through sustainable communities that feature heritage commemoration and public open spaces.

In addition to the progress we made on projects across Canada in 2010-2011, we also had the distinct honour of playing a pivotal and successful role in the June 2010 G20 summit in Toronto. Most of the events took place on CLC-owned properties, leading to the involvement of many of our employees in the property management, security, operational and public relations components of the event. We were delighted to work with our shareholder, the Government of Canada, as Canada played a starring role on the world stage at the summit.

This is the third time I have had the honour of providing the introduction to CLCL's annual report as the company's CEO. I want to express my sincere gratitude, on behalf of the company, to my senior management team colleagues, and to all CLC employees in our offices across Canada for their hard work. In particular, I want to congratulate our CN Tower team as they celebrate the 35th birthday of "Canada's Wonder of the World" in 2011. I would like to also thank the members of our board for their wise counsel, and to express gratitude to our new Chairman, Grant B. Walsh, for his advice and formally welcome him to our board.

We have accomplished much, and we believe that we can achieve much more, as additional opportunities and new directions present themselves to redevelop surplus government properties and reintegrate them back into local communities.

Sincerely,

Mark B. Laroche
President and CEO
Canada Lands Company Limited
Canada Lands Company CLC Limited

Vision, Mission, Values

In spring 2011, the company's Board of Directors and Senior Management Team completed an exercise to update the company's Vision, Mission and Values statements and refine the organization's strategic direction.

The goal was to ensure that these key summaries of the company's approach to its core businesses reflect current circumstances and are in line with best practices.

We are proud to be able to share our new Vision, Mission and Values statements and strategic direction summary in this annual report. These will guide us in 2011-2012 and beyond.

Mark B. Laroche
President and CEO

vision To be recognized as the Government of Canada's primary real estate resource and as a developer of great Canadian communities

mission To ensure the commercially oriented and orderly disposition of the Government of Canada's surplus real estate properties with best value to Canadians and the holding and management of certain properties

values Integrity, Profitability, Social Responsibility

strategic pillars

- To grow strategically
- To increase the flow of projects
- To pursue excellence
- To optimize operational performance

Corporate Governance

Governance: at the heart of CLCL's accomplishments

In 2010-2011, CLCL's governance structures underwent some important changes. These changes will help ensure that the company's robust governance framework remains on course and current with CLCL's operational direction as the Government of Canada's real estate development Crown corporation.

Board Committees and their Roles

All of the board's committees are composed of no fewer than three directors, all of whom are neither officers nor employees of the company or any of its affiliates (except for the President and CEO, where applicable). Although the board may delegate various duties to the committees, each committee remains under the direction of the board and each committee's ultimate responsibility is to report to the board and, where necessary, seek its approval.

Since most board members expressed interest and commonly attended all committee meetings, a more efficient structure was put in place this past fiscal year – the Committee of the Whole concept. Through this structure, committee discussions are integrated into the board agenda. Committee items are chaired by the committee chair, the subject matter expert. If action is required, the board chair guides that action as a board decision, rather than a committee recommendation to the board. The audit committee is the only committee that continues to meet separately, as it requires separate in-depth conversations where financial analysis is undertaken or requested to monitor controls and evaluate risk.

Governance

The main objective of the governance committee is to optimize the effectiveness of the board in directing and managing the business and affairs of the company. The committee achieves this by continually reviewing and striving to improve the board's corporate governance processes, guidelines, structures and practices and by making recommendations to the board on these. This includes reviewing company policies as well as making recommendations on Governor in Council appointments, and the terms of reference and composition of board committees. The committee is also responsible for ensuring the orientation of new board members as well as the ongoing training, education, and evaluation of the board and its directors.

Human Resources

The human resources committee is mandated to review, report on and, when appropriate, provide recommendations to the board of directors regarding human resources matters of the company. The committee ensures that appropriate corporate policies and programs relating to human resources are in place to attract and retain the quality of personnel required to meet the company's business objectives.

The committee ensures that the company's compensation policy rewards the creation of shareholder value and also monitors social issues such as bilingualism and employment equity. It ensures that the company's policies and programs comply with regulatory requirements affecting human resources and that professionals are engaged by the company to assist in the investment and administration of the company's pension funds.

Audit

The audit committee advises the board on the soundness of the financial management of the company, and assists the board in overseeing internal control systems, financial reporting, risk management and the audit process. In the case of the company undergoing a special examination, the committee reviews and approves the plan for the special examination, reviews the report of the findings of the examiner on completion, and advises and makes recommendations to the board of directors with respect thereto. It also has the authority to investigate any activity of the company, and all employees are obliged to cooperate with any such investigation.

Investment

The investment committee provides advice and guidance to management on major projects identified by the board from time to time. This past fiscal year, the committee was actively involved in the following Toronto projects: the development of the vacant lands at the base of the CN Tower and asset management decisions related to the Metro Toronto Convention Centre Complex, including its refinancing. The committee also received updates regarding transactions in connection with the Montréal's New Harbourfront initiative, and has made recommendations to the board regarding further actions and decisions.

Ad hoc Legal Affairs

The ad hoc legal affairs committee's mandate is to review legal matters concerning the company. This includes acting as a resource in assisting the company's general counsel, as requested, with legal, regulatory and government policy matters (including major claims and litigation) that could have a material impact on the company's financial statements. It also includes reviewing the company's policy, procedures, practice, staffing and posture regarding legal matters, and reviewing the company's list of external counsel law firms.

Board Member Orientation and Continuing Education

The following individual was appointed to the board of directors and attended orientation sessions:

- Grant B. Walsh, Chairman of the Board (19 June 2010)

Board meetings are held in cities across Canada to allow board members to tour various projects first hand via property tours and to meet local stakeholders. Last year, the board held one reception (in Calgary) to reach out to local communities. The company's senior management team also regularly briefs the board and its committees on corporate and operational issues and provides reports and analysis for discussion.

Board members are encouraged to attend training events and education sessions that will enhance their skills, performance and contributions to the board. A number of governance courses are offered by the federal government through the Canada School of Public

Service, and new board members are encouraged to take such courses as they deal with the role of the director, the role of management, building mutual respect, understanding the government environment and its impact on Crown corporations. In this regard, it should be noted that both CLC's chairman and president/CEO hold the prestigious Chartered Director (C.Dir.) designation from the highly-respected Directors College of Canada.

To complement the government-run programs, board members are offered other industry courses and/or seminars.

Corporate Governance: Year in Review

CLC's commitment to improving its governance practices and the transparency of its operations has been instrumental in its success. The company proactively improves its governance and management practices and has received widespread recognition for its leadership in this area. The following are a number of corporate governance highlights from the past fiscal year.

With the appointment of a new chairman in June 2010, new initiatives were put in place that changed how the board governs itself:

- Committee of the Whole concept
- Appointment of a Vice Chairman, Governance Committee to ensure that expertise, assistance and a succession plan are in place if the chairman is unavailable to serve
- Restructuring of committee composition
- Creation of a new ad hoc Legal Affairs Committee
- Utilization of a Consent Agenda for items that are provided for information and/or approval but may not require deliberation
- Executive Sessions – in-camera meeting of board members without the President and CEO and Corporate Secretary
- Implementation of board meeting evaluation surveys that are completed at the end of each meeting
- The board and senior management team held a strategic session which led to a new Vision, Mission and Values statements and Strategic Direction for the company

Director Attendance and Compensation

There were six in-person CLC Board meetings during the past fiscal year. Attendance at board meetings was 100%. With the implementation of the Committee of the Whole concept, committees met during each of the board meetings.

The compensation for the chairman and directors is set by the Governor in Council and consists of annual retainers of $9,400 for the chairman and $4,500 for directors, as well as a per diem rate of $375 for both the chairman and directors ($250 for teleconference meetings).

Board and Committees Composition

	Canada Lands Company Limited				Canada Lands Company CLC Limited					
Directors	Board	Human Resources	Audit	Governance	Board	Human Resources	Audit	Governance	Investment	Legal affairs (ad hoc)
Walsh, Grant	C			C	C			C		
Foglar, Lloyd	X		X	X	X		X	X		C
McPhee, Alana	X			X	X	X		X	X	X
Pelletier, Louise	X	C	X	X	X	C	X	X		
Evans, Michael	X	X		X	X	X		X	X	
MacIntosh, Wayne	X	X	C	X	X	X	C	X		
Hames, Clint	X			Vice chair	X			Vice Chair	C	
President and CEO	attends each meeting	attends each meeting	attends each meeting	attends each meeting	X	X	attends each meeting	X	X	X

* Chairman is an ex-officio member of all committees. As per section 5.01 of the By-Laws, the Chairman of the Corporation shall be invited to and can attend all meetings of all committees of the board and be heard at each meeting, but will not vote or be included for determination of a quorum.

Enterprise Risk Management and Internal Controls

Organization, Discipline, Prudence

In keeping with the new directions set by the company's board of directors through the new Vision, Mission and Values statements, CLC continues to place a strong emphasis on its enterprise risk management (ERM) objectives and internal controls environment. The CLC risk register and resulting action plans are updated periodically as part of CLC's risk reporting strategy to the board of directors. They ensure a disciplined and organized risk management approach so that policies, guidelines, processes and practices are defined and formalized across the company.

The company's risk management activities ensure that key business, operational and hazard risks are identified, assessed, mitigated, managed, monitored, and where feasible and cost-effective, insured, particularly for extreme and catastrophic exposures for the company. Testing of the viability and effectiveness of the company's current business continuity plan and disaster preparedness measures is one example of an important risk management undertaking.

The risk management function addresses the following three broad types of enterprise risk for the company:

- business/strategic risks (changes in legislation, regulations, compliance, people risks, organizational structure and business processes);
- operational and hazard risks (business continuity, people risks, insurance, project management, documentation and records, security and IT); and
- financial risks (financial targets, budgets, financial monitoring and internal controls).

ERM is a continuous management strategy which is made significantly more effective through better information, reporting and communication. Managing and monitoring risk at the project level is one of the company's key objectives over the next few years, and ERM is being extended to cover major projects and program delivery risk. As well, best practices in risk management and controls were implemented in the analysis of opportunities and risks in the formal launch of the company's social media program in 2011.

A risk control survey was completed in January 2010 for the Calgary Currie Barracks site. Similar engineering risk surveys were undertaken at the CN Tower, the Metro Toronto Convention Centre, the Hotel InterContinental and Bonny Farm in Montréal. The project risk management plan is to conduct at least two such risk exposure surveys at CLC's major project sites at least every 18 months over the next two to three years. On smaller project sites, the objective is to conduct inspection surveys at least every 36 months.

Other risk management and internal control initiatives include the following:

- Annual completion in January/February of property risk exposure assessments for CLC's insurable values, form of valuation (replacement cost, actual cash value or demolition) for property assets, business interruption/rental income insurance and vacant land, to help ensure the company's property and liability insurance program meets CLC's needs cost-effectively.
- A comprehensive update of CLC's detailed risk register, including all businesses, was undertaken in the summer of 2010; this is aligned with Ernst & Young's internal audit planning for Year Three.
- Increased review of the monitoring of environmental risk management systems and practices associated with lands to be acquired and development projects in conjunction with CLC's environmental specialists.
- An improved integrated risk reporting framework, including the total environmental liability exposure forecast for impacted assets.
- A comprehensive project plan is underway to convert from Canadian Generally Accepted Accounting Principles (GAAP) to IFRS (International Financial Reporting Standards) for financial reporting.

Currently and going forward in the coming fiscal year, the following key business and operational risks are among the major priorities being addressed by the company, from an enterprise and operational risk management standpoint:

- IFRS conversion: The company is working to ensure that IFRS conversion from Canadian GAAP is on schedule to be completed in time for reporting under IFRS as at March 31, 2012, with one-year comparative IFRS information.
- Life/Health and Safety: A physical security review is being undertaken at the CN Tower to address existing security measures, including physical protection system elements.

Internal Audit Activity

The internal audit planning is based on comprehensive risk assessments, validation and refreshing of CLC's current detailed risk register (2010) for high-risk areas as well as for those areas of concern for senior management and the board. The 2009 risk assessment (corporate risk register) was updated in the summer of 2010 to help validate the 2009–2010 plan. The last fiscal year of the three-year internal audit plan, two audits were completed, including the Garrison Crossing sales and contracting review, and a treasury and expenditure processes review at the Hotel InterContinental. In addition, an entity-level controls audit is currently underway.

Balanced Scorecard

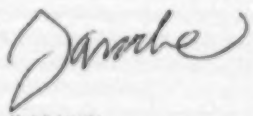
A Balanced Approach That Has Yielded Strong Results

Most companies, Crown corporations included, are faced with seemingly irreconcilable financial and non-financial stakeholder interests. CLC is of the view that these are not necessarily mutually exclusive. In order to build innovative, win-win situations, CLC has adopted a balanced scorecard approach to doing business.

In line with best practices, CLC undertook an extensive stakeholder consultation process in 2009-2010 to create and refine a new balanced scorecard containing the economic, social and environmental performance targets most material to its external and internal stakeholders.

The result is a new scorecard, presented for the first time in its complete form in this annual report with meaningful and measurable performance targets. It has 34 financial and non-financial organizational performance targets, measured by 73 metrics. Each target pertains to one of six key objective areas: engaging communities, developing sustainably, valuing people, managing the environment, contributing to society, and strengthening business operations.

"CLC has had a balanced scorecard in place since 1997 to report and manage its progress in key operational areas. In 2010-2011, this scorecard was renewed and enhanced in line with best practices for corporate reporting. The scorecard's key measurement areas were verified for materiality through extensive consultations with employees, management, government officials, industry thought leaders and other key stakeholders. The balanced scorecard approach has also been integrated into the performance management regime of the company. I am proud to present our renewed scorecard, which we believe provides a much more complete portrait of the company's accomplishments than in the past."



Mark R. Laroche
President and CEO
Canada Lands Company Limited
Canada Lands Company CLC Limited

Balanced Scorecard

Engaging Communities/Stakeholders

OBJECTIVE:
Listen to communities/stakeholders to understand their needs and create value for them

TARGETS	METRIC(S)	FISCAL YEAR RESULT
Undertake shareholder consultation on all new development projects prior to CLC acquiring title (converse with federal government departments, elected officials etc.)	Number of new development projects where shareholder consultation has been undertaken prior to CLC acquiring title	8 projects
	Percentage of new development projects where shareholder consultation has been undertaken prior to CLC acquiring title	100%
Undertake stakeholder consultation meeting(s) with the municipality community groups and/or the general public on all new development projects prior to CLC finalizing the development vision for properties and obtaining municipal approvals	Number of new development projects where this has been done	2 projects
	Percentage of new development projects where this has been done	100%
Achieve a minimum satisfaction score of 75% for CLC engagement approach in all new development projects	Average satisfaction score for new projects based on community consultation comments cards or website questionnaire prior to submission of application for municipal planning approval	No satisfaction ratings sought (target only recently launched)

Developing Sustainably

OBJECTIVE:
Create environmentally sustainable neighbourhoods and buildings in the earth while planting best practices

TARGETS	METRIC(S)	FISCAL YEAR RESULT
All new development projects and owned and operated buildings achieve third party assessed equivalences to green certification (e.g. LEED Rating, LEED ND, BOMA)	Number of projects achieving this	3 projects
	Percentage of projects achieving this	60% (800 Montreal Road and Greisbach stages 11 & 12 were not assessed by third party and so could not be counted as achieving this target despite having green features)
Design access to both planned and existing public transit for 75% of residential units in all new residential or mixed use development projects	Number of residential units within a 5 minute walk from a planned or existing public transit stop (measured at time of municipal planning approval)	1,375 residential units
	Percentage of residential units achieving this	90%
Optimize land use efficiency (density) in all new development projects	Percentage of projects receiving municipal planning approvals with a higher density of residential units than the average within 750 metres of the project	100%

Developing Sustainably

OBJECTIVE:

Create diverse socially sustainable neighbourhoods and buildings in line with current planning best practices

TARGETS	METRIC(S)	FISCAL YEAR RESULT
Optimize livability of all new development projects receiving municipal planning approvals, by designing for public open space and a mix of housing tenures and pricing levels	Percentage of projects with a mix of at least three different housing forms	100%
	Percentage of projects with more public open space than municipal requirement and improved to a level above this	75% (for 800 Montreal Road, city requested payment in lieu of park)
	Percentage of projects targeting various pricing levels (through housing form, quality and/or unit size)	100%

Valuing People

OBJECTIVE:

Strive to become an employer of choice by 2012

TARGETS	METRIC(S)	FISCAL YEAR RESULT
Improve overall employee satisfaction by 5% by the end of 2011-2012, using 2009-2010 as the base fiscal year (base result for real estate operating divisions and corporate departments was 72.8%, and base result for CN Tower was 69.8%)	Total percentage level of satisfaction based on survey results for corporate departments and real estate operating divisions employees	[To be reported at end of 2011-2012 fiscal year]
	Percentage change from 2009-2010 levels	[To be reported at end of 2011-2012 fiscal year]
	Total percentage level of satisfaction based on survey results for CN Tower employees	[To be reported at end of 2011-2012 fiscal year]
	Percentage change from 2009-2010 levels	[To be reported at end of 2011-2012 fiscal year]
Strive for zero harm among workers and visitors	Recordable critical injury frequency for employees and visitors to owned and operated buildings	0 critical incidents for employees, 1 critical accident reported to Ministry of Labour for tenant
Provide training and education opportunities for employees	Percentage of full-time employees receiving training and educational assistance	84% of company employees are recipients (34% for REC division / ~ 98% for CN Tower division)
	Dollars spent on training and educational assistance (average per full-time employee)	$225 average per employee ($650 for REC division and $64 for CN Tower division)
Maintain voluntary employee turnover rate at 5% for real estate and corporate operating division	Percentage full time voluntary turnover for fiscal year	5%
Maintain voluntary employee turnover rate at 6% for CN Tower operating division	Percentage full time voluntary turnover for fiscal year	2.8%

Balanced Scorecard

Managing the Environment

OBJECTIVE:
Manage resources responsibly and respect the environment

TARGETS	METRIC(S)	FISCAL YEAR RESULT
Reduce energy use in CLC owned and operated buildings	Total energy use in Kilowatt-hours (kWh) consumed	30,392,741 KWh (CN Tower 23,143,717 KWh and 277 Front St. 7,249,024 KWh)
	Total energy use in Kilowatt-hours (kWh) consumed per square foot	7.6 KWh/ft² (CN Tower 5.6 KWh/ft² and 277 Front St. 2.0 KWh/ft²)
	Percentage change in energy use per square foot	1.06% increase (CN Tower reduction of 0.4% and 277 Front St. increase of 6%)
All new buildings in development projects constructed to independent energy efficiency standards (ensure through inclusion in contracts with site purchasers where necessary)	Number of new buildings meeting this criteria	[To be reported at end of 2011-2012 fiscal year]
	Percentage of new buildings meeting this criteria	[To be reported at end of 2011-2012 fiscal year]
All refurbished buildings in new development projects renovated to improve energy efficiency	Number of refurbished buildings meeting this criteria, based on an energy audit	[To be reported at end of 2011-2012 fiscal year]
	Percentage of refurbished buildings achieving this	[To be reported at end of 2011-2012 fiscal year]
Divert at least 85% (by weight) of demolition waste from landfill	Total amount of demolition waste diverted from landfill (by weight)	91,509 tonnes
	Percentage of waste (by weight) diverted	97.4%
Divert at least 60% (by weight) of waste from landfill for owned and operated buildings	Total amount of waste diverted from landfill (by weight)	332 tonnes (CN Tower 191 tonnes and 277 Front St. 141 tonnes)
	Percentage of waste (by weight) diverted	33.3% (CN Tower 75% and 277 Front St. 19%)
Adopt best practices for stormwater management in all new development projects	Number of projects receiving municipal approvals for using at least four identified best practices and/or Low Impact Development (LID) site design strategies	4 projects
	Percentage of projects achieving this	100%
Reduce water consumption in CLC owned and operated buildings	Total water consumption (volume)	81,286 m³ (CN Tower 59,647 m³ and 277 Front St. 21,535 m³)
	Percentage change from previous fiscal year	12.6% increase (CN Tower 13.7% increase and 277 Front St. 9.7% increase)

Contributing to Society

OBJECTIVE:
Create community value

TARGETS	METRIC(S)	FISCAL YEAR RESULT
Contribute 1% of net income before taxes to corporate philanthropy (excluding out of the ordinary transactions)	Percentage of prior year net income before tax spent	0.89%
	Dollar amount spent	$143,762
Seek opportunities to create lasting legacies for all development projects	Number of acres (hectares) of public usable open space created cumulatively since company inception in 1995	51 acres (21 hectares)
	Number of legacy project components celebrating Canadian heritage, created cumulatively since company inception in 1995	31 legacy project components
	Cumulative total dollar amount spent by CLC on legacy project components since inception in 1995	$8.6 million
Cumulative projected development expenditures for CLC and site purchasers since company inception in 1995 for all past and current projects	Projected amount spent by CLC and its site purchasers	$7.1 billion
	Number of person-years of construction employment that these development expenditures equate to according to industry standards	56,800 person-years of construction employment
Projected annual property tax contributions for all past and current projects at completion	Projected amount increase in annual property taxes due to development by CLC and its site purchasers	$42 million
Provide affordable housing choices for all new residential development projects	Number of residential units built and marketed that cost buyers less than 32% of the median household income of the metropolitan area (assuming 80% mortgaged, plus estimated property taxes, condo fees and utility costs)	(to be reported at end of 2012-2013 fiscal year)

Balanced Scorecard

Strengthening Business Operations

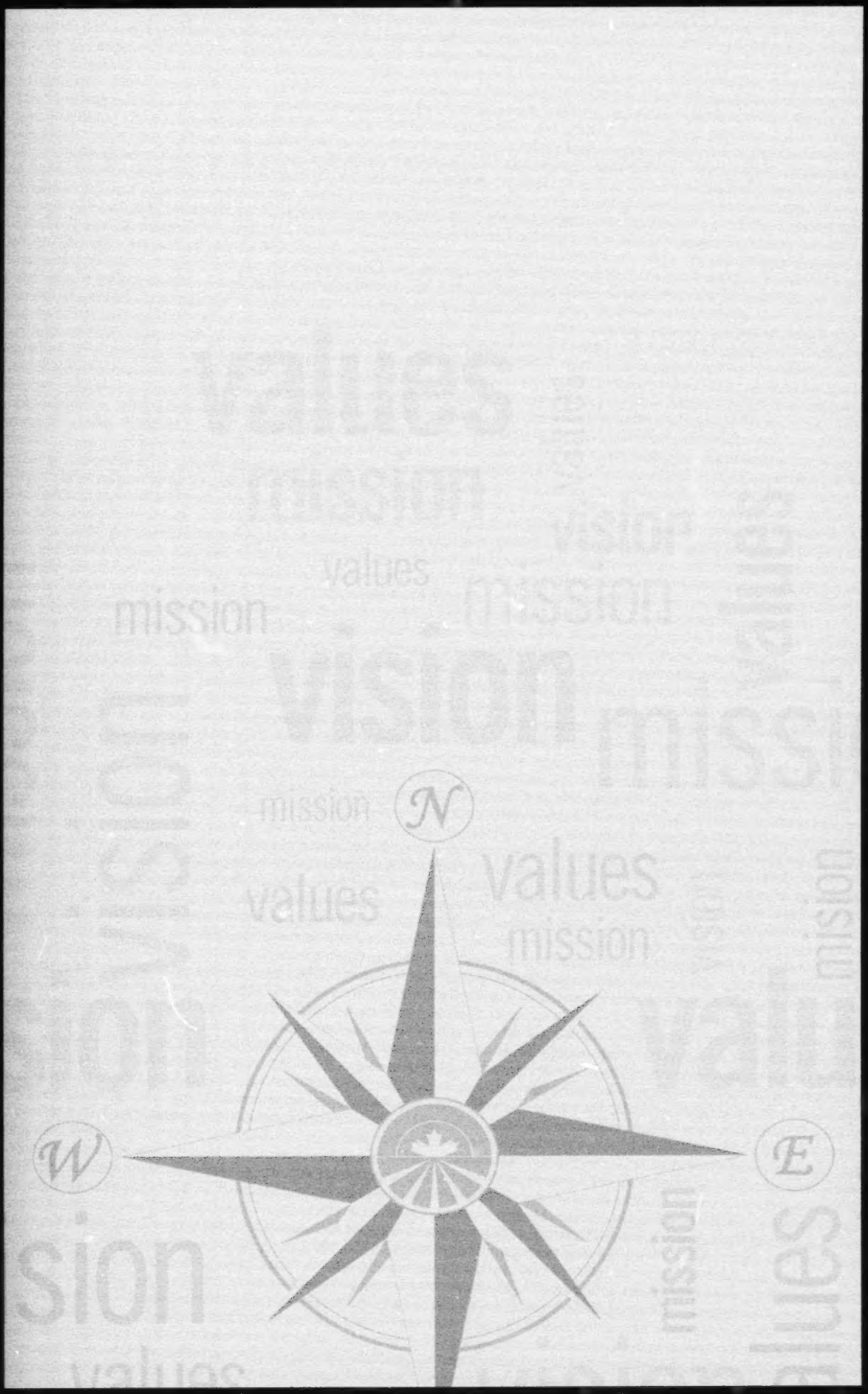
OBJECTIVE:
Strive to deliver strong financial results and/or efficiently alleviate the Government of Canada of surplus federal properties.

TARGETS	METRIC(S)	FISCAL YEAR RESULT
Optimize financial value and returns paid to shareholder	Net income before tax in past fiscal year	$38.2 million
	Revenues in past fiscal year	$217.8 million
	Capital expenditures in past fiscal year	$29.1 million
	Distributions to shareholder in past fiscal year (dividends, cash acquisitions and note repayments)	$20.4 million ($8.5 million dividends and $11.9 million note repayments)
	Cumulative distributions to shareholder since company inception in 1995 (dividends, cash acquisitions and note repayments)	$392.8 million
Achieve a gross margin on real estate property sales of at least 25%	Percentage gross margin	37.5%
Achieve a gross margin on CN Tower operations of at least 60%	Percentage gross margin (including food and beverage and attractions)	63.2%
Income tax contribution	Amount of income tax paid for past fiscal year	$10.5 million
	Amount of income tax paid cumulatively since CLC inception in 1995	$88.6 million
Improve customer satisfaction for tenants	Past fiscal year satisfaction score	[To be reported at end of 2012-2013 fiscal year]
	Prior fiscal year satisfaction score	[To be reported at end of 2012-2013 fiscal year]
Improve customer satisfaction for CN Tower visitors (to favourably influence attendance)	Past fiscal year satisfaction score	64%
	Prior fiscal year satisfaction score	62%
Contribute to reduced federal government liability for surplus contaminated sites through remediation of properties acquired by CLC	Dollar amount reduction in government liability over the past fiscal year	$12.6 million
	Cumulative dollar amount reduction in government liability since company inception in 1995	$80.2 million
	Cumulative environmental remediation amount spent by CLC since company inception in 1995	$80.4 million ($48.6 million spent by CLC and $31.8 million spent by its site purchasers)

Strengthening Business Operations

OBJECTIVE:
Strive to deliver strong financial results and/or efficiently alleviate the Government of Canada of surplus federal properties.

TARGETS	METRIC(S)	FISCAL YEAR RESULT
Generate annual Payment in Lieu of Taxes (PILT) savings for the federal government through CLC property acquisitions	Generated PILT savings over the past fiscal year	$1.4 million
	Cumulative dollar amount in annual generated savings since company inception in 1995	$38.1 million
	Estimate of potential government annual PILT savings that could be realized through CLC acquisition of all identified current surplus strategic properties	$5.3 million
Generate annual operating and maintenance (O & M) savings for the federal government through properties acquired by CLC	Generated O & M savings over the past fiscal year	$1.2 million
	Cumulative dollar amount in annual generated O & M savings since company inception in 1995	$19.7 million
Convert surplus federal properties back to productive use through sale or possession to CLC	Number of properties converted back to productive use through sale or possession to CLC during fiscal year	8 properties
	Total area in acres (hectares) converted back to productive use through sale or possession to CLC during fiscal year	562 acres (227 hectares)
	CLC property acquisition rate for fiscal year (based on book value of development properties)	16.3%
	CLC property disposal rate for the fiscal year (based on book value of development properties)	32.1%
	Cumulative number of properties converted back to productive use through sale to CLC since company inception in 1995	53 properties (counting all smaller Ontario Seaway portfolio properties as one property)
	Total area in acres (hectares) converted back to productive use through sale to CLC since company inception in 1995	11,464 acres (4,639 hectares)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Pleasantville

St. John's, Newfoundland and Labrador

A True Signature Development, Setting New Standards

By following an inspired and innovative plan for the community of Pleasantville, CLC is setting new standards for developments in the City of St. John's. These standards will ensure that Pleasantville is realized as a true signature project.

Pleasantville is a 58.3-acre (23.6-hectare) site in St. John's Newfoundland and Labrador acquired by CLC from Public Works and Government Services Canada in 2006. The Department of National Defence (DND) continues to lease space on the property for housing and defence-related purposes.

In September 2010, the redevelopment of Pleasantville was officially launched with a groundbreaking ceremony. His Worship Dennis O'Keefe, the Mayor of St. John's, spoke about the site's history and expressed his wish to work with CLC to build the property's future. Senator Fabian Manning and Grant Walsh, Chairman of CLC's board of directors, also participated, the latter expressing CLC's appreciation for the collaborative efforts between the company and the city.

The redevelopment plan for Pleasantville includes an innovative stormwater treatment capacity. Using this non-traditional approach, stormwater will be filtered by stormwater ponds before entering the Virginia River, which runs through the property. The Virginia River is a significant natural resource that is rich in beauty and marine life. Taking steps to protect it are important for current and future residents of St. John's.

A Request for Proposals for the sale of three parcels of land was launched in late October 2010, and the purchase agreements with the chosen proponents closed in March 2011. These three blocks will have a mix of housing units, including single-family homes and apartment/condominium-style units.

As part of the work required to prepare the land for sale, CLC received approval from the City of St. John's in mid-2010 to install underground power in the redevelopment. This was a significant achievement, as it represents a departure from the typical development pattern in the area. Underground power will enhance the overall project by ensuring that Pleasantville's scenic views won't be cluttered with utility poles, lines and transformers. CLC also received approval from the City of St. John's to use decorative street lighting, which will similarly enhance the attractiveness of the development.

In March 2010, CLC and the City of St. John's, through Human Resources and Skills Development Canada, closed the sale of 2.2 acres (1 hectare) for an affordable housing initiative – 45 units of not-for-profit housing to be built by Habitat for Humanity, Newfoundland and Labrador Housing Corporation, the City of St. John's and Easter Seals. Four Habitat for Humanity duplexes have already been built at Pleasantville and are occupied.

Pleasantville will offer higher average building densities than the surrounding neighbourhoods, and a local commercial district to provide goods and services to residents. CLC also envisions an integrated walking trail system to link to the Grand Concourse trail system, a dedicated cycling path along Churchill Avenue and streets with sidewalks on both sides.

CLC will be seeking to obtain a prestigious "green" development designation, the Leadership in Energy and Environmental Design for Neighbourhood Design standard, or LEED-ND, which was developed by the U.S. Green Building Council. We are proud to have development projects in other parts of Canada that have obtained LEED-ND designation, and if Pleasantville's application is successful it will be our first project in Atlantic Canada to earn this designation.

The development will also reflect the site's military history and the historic importance of Pleasantville to the people of Newfoundland and Labrador. This legacy initiative will include commemoration of the site's military heritage through street names, a legacy walk and monuments located in neighbourhood parks and walkways.

Les Bassins du Nouveau Havre

Montréal, Québec

A Year of Progress and Achievement

When it was announced in 2007 that CLC would be master developer of the Montréal's New Harbourfront initiative, the company immediately began working with stakeholders to establish a comprehensive new vision for this important urban area. The company is taking the redevelopment in a direction that will make an important contribution to the economic vitality of what is universally seen as one of the world's great cities. In 2010-2011, this project took several major steps forward.

In November 2010, CLC had the great pleasure of announcing that, after completing a nationwide request for proposals, it had selected a partnership of two builders to carry out the development of various residential lots in its 23-acre (10-hectare) Les Bassins du Nouveau Havre project, located in Montréal's Sud-Ouest Borough. CLC's effort to redevelop this former postal distribution facility provides a superb demonstration of the company's recognized excellence in the revitalization of former government properties.

The partnership, an alliance of respected builders Prével and Conceptions Rachel-Julien, will launch this project as "Les Bassins du Havre." These builders have constructed more than 12,500 housing units in Montréal. They are active in various sectors of the housing market, including affordable housing, family housing, and retirement residences.

The two partners are leaders in urban sustainable development initiatives, and their approach is complementary to that of CLC's.

The selection of builders is important for two reasons. Not only does it demonstrate that CLC continues to meet its deadlines and milestones for the Les Bassins project – the company also continues the important work of advancing the Government of Canada's Montréal's New Harbourfront initiative. This undertaking will result in the revitalization and redevelopment of almost five million square feet in the area surrounding Montréal's harbour.

The builders expect to open their sales office on the property in June 2011, and will start construction of their first phase in fall 2011.

Prével and Conceptions Rachel-Julien were chosen following a two-stage selection process launched by CLC in March 2010 which was overseen by a process auditor, and completed in October of that same year.

Les Bassins du Havre will consist of approximately 1,800 private residential units including family-oriented and affordable housing on nearly half of the site, realized over a timeframe of eight to ten years. The builders have created a website for those who wish to obtain additional information: lesbassins.ca

Among other planned uses on the site, CLC completed a first transaction for the construction of 180 of the 400 units of social and community housing units coordinated by *l'Entreprise d'économie sociale Bâtir son quartier*, which expects to begin construction in 2012. In addition, CLC is planning an employment sector, coordinated by the Regroupement économique et social du Sud-Ouest (RESO).

The master plan also includes public spaces, pedestrian walkways, a bio-retention pond and a new street, which CLC will begin building next year.

The Montréal's New Harbourfront initiative reached another significant milestone in 2010-2011, when CLC took possession of the Pointe-de-Moulin property in the fall of 2010. This 21-acre (9-hectare) property on Montréal's waterfront consists of the historic Grain Elevator No. 5 complex, with its three annexes, marine towers and conveyors commonly referred to as Silo No. 5.

In September 2010, CLC held a two-day visioning exercise for the Pointe-du-Moulin property. About 50 Montréalers of note, from diverse backgrounds such as urban development, culture, economic development, the arts, heritage and social development, worked together to develop the key elements of a vision for this property.

The results from this event will help CLC articulate a statement of purpose and vision for the development of the site, which will be submitted for public validation as part of the formal pre-development and planning process to come.

CN Tower Base Lands

Toronto, Ontario

The Power of Partnerships

While CLC is primarily recognized as the Government of Canada's real estate development company, its ownership of the CN Tower in Toronto means that it also has a long-standing connection with Toronto's tourism industry. Now, with its redevelopment of the almost 4 acres (1.6 hectares) of underutilized lands at the base of the CN Tower, CLC is helping this vital sector of Toronto's economy chart a new direction, in adding an important new tourism destination to the city's list of world-class attractions.

In 2010-2011, CLC continued to march this project forward. The lead element of the new development will be a world-class aquarium to be built and operated by Ripley Entertainment (Ripley) of Canada under a long-term land lease.

The first phase of the Ripley aquarium will comprise 100,000 ft² (9,290 m²), with Ripley having the right to construct a 50,000 ft² (4,645 m²) expansion. To complete the build-out of the site, CLC will have the opportunity to bring to market a final development phase of 50,000 ft2 (4,645 m²) of commercial/retail space on the west side of the site, likely within five years of the aquarium opening.

In the summer of 2010, during a meeting of the full Toronto City Council, three bills related to the aquarium were passed by council. These bills made amendments to Toronto's Official Plan and to two municipal precinct agreements that allowed the project to move forward.

Aquarium

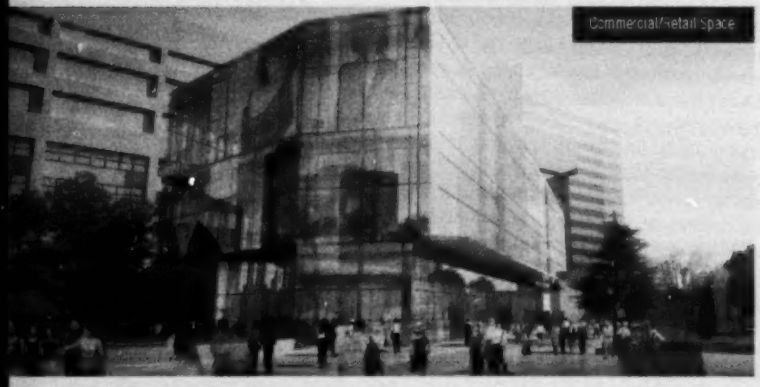
City council's consideration followed extensive discussion among Ripley, CLC, City of Toronto staff and the public, and has resulted in a much improved plan that draws on the expertise and experience of the participants. Another milestone was reached when the City of Toronto provided the notice of Conditions for the Site Plan Approval in the fall of 2010.

CLC has initiated a process intended to bring about a series of capital improvements and architectural refinements to be made to the CN Tower Plaza and walkway to the CN Tower from Front Street. In this consultative process, CLC will again benefit from the views of many stakeholders, in particular neighbouring landowners, which should ensure optimal results. These improvements and refinements will enhance the experience of visitors to the aquarium, and when it opens will also benefit visitors to the CN Tower.

CLC's collaboration with Ripley began with an agreement to lease that followed a competitive process in 2008.

Until the ground lease and construction commence, Ripley, with CLC, will be working to finalize the detailed drawings and tender for construction of the first phase of the project. Construction of the aquarium is projected to take two years.

The land surrounding the CN Tower presents an ideal location for a world-class aquarium. This location complements not only the Tower and its superb attractions, it will also help ensure the aquarium is well integrated into the burgeoning development south and west of Toronto's downtown core. The project is a further demonstration of CLC's commitment to keeping the CN Tower's neighbourhood vibrant, to strengthening the City of Toronto's tourism and recreational draw, and to optimizing the value of the properties it holds.


Commercial/Retail Space

Currie Barracks

Calgary, Alberta

Building a Legacy for Calgary – and for Canada

Following the closure of a number of military bases in the mid-1990s, the Government of Canada turned to CLC to assist with the reintegration of these highly strategic sites into their local communities. In commemorating the soldiers and their families who had lived on these bases through monuments and street names, the company set off in a new direction of themed, sustainable development. This meant that, early on, CLC was developing sites differently than many of its peer companies in the private sector. In 2010–2011, CLC's commemoration work achieved new heights.

Since its inception, CLC has worked closely with DND to reintegrate former military bases, such as the Canadian Forces Base (CFB) Calgary, back into their local communities.

CLC is committed to respecting the history and legacy of all the properties it develops, including those with links to Canada's military. It's part of the company's commitment to demonstrating integrity as a developer.

In one of the most highly anticipated new communities in Calgary, there was a very strong response from home buyers for the first phase of CLC's Currie Barracks when sales began in spring 2010.

CLC held a special ceremony in the fall of 2010 formally dedicating two commemorative parks in the first phase of Currie Barracks: Valour Park and Victoria Cross Park. These parks pay tribute to Canada's military and to those who served their country during the Second World War.

Valour Park is defined by three large bronze statues representing the three branches of Canada's armed forces – the Army, Navy and Air Force. In addition to the statues, the park has storyboards that describe the role of each of the services during World War II.

Adjacent to Valour Park is Victoria Cross Park. This linear park features a series of plaques that commemorate the 16 Canadian recipients of the prestigious Victoria Cross during the Second World War. Among the recipients is a Calgary-born squadron leader, Ian Willoughby Bazalgette, who was killed in action in 1944 after showing great bravery and determination during a difficult mission over Germany.

The themes of the parks represent just one of the ways that Canadian Lands Company has created unique legacies to commemorate the military history of Currie Barracks.

Throughout its commemorative efforts in Calgary, CLC has benefited repeatedly from its link to the local military community – the Calgary Legacy Committee. This group is made up of volunteers from the three branches of the Canadian Forces, as well as representatives of the military museums. The members of the committee aided in the planning of the parks and the naming of streets, thanks to their unique knowledge of Canada's military history and traditions.

The company hopes that the parks will serve all Calgary residents and visitors to the city well as places for both recreation and reflection for many years to come.

Brandt's Creek

Kelowna, British Columbia

A New Development Direction Means New Life for Industrial Land

In November 2010, CLC sold its last piece of land in downtown Kelowna, British Columbia to the City of Kelowna. This concluded a remarkable story of how CLC's innovative, socially responsible approach to development put a once-contaminated property on course for a fresh start.

The story begins in 1995, when the company commenced operations and soon after acquired title to the former Canadian National (CN) rail yard in Kelowna, dating from 1925. This property would become known as Brandt's Creek Crossing.

Because of its location in the heart of a large and growing community, the property was an excellent candidate for redevelopment. However, its previous industrial use meant that Brandt's Creek required considerable investment in remediation before a successful redevelopment could occur.

The 33-acre (13-hectares) property was contaminated with hydrocarbons, zinc that was used to preserve apples, as well as copper and other metals.

Clearance of the site began in 1997. From 2000 to 2002, CLC remediated the site at a cost of more than $1.5 million, and certificates of compliance were obtained from the Province of British Columbia for the numerous parcels involved.

Finding a way to save and restore the portion of the creek running through the centre of the site in culverts and shallow ditches presented a major challenge. The solution? In 2000, CLC developed a 4.4-acre (1.8-hectare) stream protection corridor, which restored (or "daylighted") Brandt's Creek to a more natural state as a 1,150-foot (350-metre) waterway, and included a beautiful pedestrian trail and park for the public to enjoy.

As a former rail yard, with a significant drainage course flowing through it, surrounded by a mixture of industrial, commercial and residential uses, CLC's redevelopment plan required compliance with legislation at all levels of government, as well as negotiations with adjacent landowners. This diligence was rewarded when the development was very positively received by Kelowna City Council following a public hearing, smoothing the way for CLC's effort to optimize the value of this property.

At Brandt's Creek Crossing, CLC created and sold three industrial properties, three office properties, 10 acres of multi-family residential development sites and a hotel site. The adjacent former CN Rail station was sold to a Calgary developer and is currently being restored, preserving its heritage character, for use as a restaurant. The adjacent 3.5-acre (1.4-hectare) site was recently sold to the City of Kelowna for road widening and to allow the relocation of the local RCMP detachment. Another strip of three acres was sold quite a few years earlier to BC Fruit, and a small site at Gordon Avenue was sold to the city for the road widening of Clement Avenue many years prior.

CLC's efforts to rejuvenate Brandt's Creek Crossing helped increase the attractiveness of the site and the value of the land. But the real success of this project wasn't just that a former industrial property was returned back to productive use for multi-family housing and commercial development. Rather, it was the spirit of cooperation that characterized so many aspects of the project – especially CLC's dealings with the City of Kelowna.

CLC's work in Kelowna may have come to an end for the time being, but what the company accomplished there will last for many years to come.

You don't become Canada's most iconic tourism destination without being adaptable and willing to move boldly in new directions as consumer habits shift and times change. That's the secret of the CN Tower's success over the last 35 years.

CN TOWER
TORONTO, ONTARIO

The CN Tower, Canada's National Tower, reported revenues of $54.8 million and net income before tax of $9.7 million during fiscal year 2010-2011. These strong results demonstrate that the Tower, which is celebrating 35 years of operation in 2011, remains extraordinarily popular part of our national psyche.

During the past fiscal year, the Tower's dedicated staff worked to ensure that this Canadian icon remains an internationally acclaimed entertainment and dining destination, providing exceptional value for all visitors.

One of the newest additions to the Tower's lineup of exciting experiences, introduced last

...is a state-of-the-art, high-definition 3D theatre. With this upgrade, the Mastic Leaf Cinema is now one of the most technically advanced venues in the country. It is certain to enhance the experience of the 1.5 million people who visit the Tower each year.

The investment in this theatre reflects the ongoing commitment of the CN Tower's staff and management to continually renew and refresh the attraction's offerings. This commitment has been very strong throughout the Tower's history, but never more so than now, as this world-class attraction marks its 35th year of operation.

The CN Tower offers much more than just panoramic views of Toronto. It is also the outdoor event setting and hosts more than 500 meetings and events annually at its multiple venues, such as 360 The Restaurant. At the CN Tower, in 2010, 360 was honoured to host a brunch for the spouses of the G20 leaders during their summit in Toronto, including Laureen Harper and US First Lady Michelle Obama, and also hosted a dinner for international business leaders who were traveling with their respective heads of state.

With visitors like this, it's no surprise that the CN Tower achieved its 15th consecutive annual Distinguished Restaurants of North America designation for excellence in food and ambiance in 2010.

Thanks to its many close working partnerships within the Canadian tourism and hospitality field, the CN Tower is an industry leader. More than this, the CN Tower is also a leader when it comes to following corporate social responsibility (CSR) best practices by, for example, supporting a number of charitable causes.

During the past fiscal year, the CN Tower hosted two annual fundraising steer climbs. These two events combined attracted over 20,000 participants and raised more than $2 million for the United Way of Greater Toronto and the World Wildlife Fund.

Another aspect of the CN Tower's community involvement can be seen each summer in its stunning garden areas, through the Tower's participation in the Communities in Bloom program, which CN supports as that organization's lead national sponsor. This non-profit Canada-wide initiative fosters civic pride, environmental responsibility and beautification. You can learn more about the Tower's CSR accomplishments by reading CN's Balanced Scorecard, beginning on page 9.

For 35 years, the CN Tower has been a Toronto landmark and a national icon of Canada. It has earned many awards and plaudits in that time. Given the energy and commitment of its staff, it's no boast to say that the best is yet to come.

Year In Review

Achievements

- In March 2010, the sale of the Garden City property to the City of Richmond, British Columbia closed. This property had been jointly held by CLC and the Musqueam Indian Band. The company negotiated a transaction with the Musqueam Indian Band whereby they would buy the Nokia building at Glenlyon Business Park, providing the band with an opportunity to invest. As part of the proceeds from the Garden City sale, The Nokia sale closed in April, marking a successful conclusion to the CLC/Musqueam joint venture effort.

- In June 2010, over 300 people attended a celebration and commemoration of the Canadian Navy's 100th anniversary in Edmonton, officiated by CLC's Gordon McIver. Navy and government officials as well as neighbours and members of the public, were present at this event. His Honour Lieutenant Governor Don Ethell paid tribute to CLC for its work in Alberta. Laurie Hawn, Parliamentary Secretary to the Minister of Defence, also spoke highly of CLC.

- The sale of the Dominion Building in downtown Charlottetown was finalized in August 2010.

Acquisitions

In June 2010, CLC acquired a 16.2-acre (6.6-hectare) property located in Oakville, Ontario, now known as Rebecca Street. The Ontario team quickly initiated site servicing and municipal applications and completed demolition of the existing structures. The company achieved a 93% diversion from landfill of demolition material. A town-initiated vision/workshop session to discuss plans for the site occurred in November, with 80 people attending.

In November 2010, CLC announced that it had taken possession of Pointe-du-Moulin, a property that is key to the Montréal's New Harbourfront initiative. This property includes the Montréal landmark known as Silo No. 5, a highly visible and historically significant structure. Acquiring the very complex Pointe-du-Moulin site represents a unique opportunity for CLC to actively contribute to the city's growth. The same month, CLC also acquired portions of the Wellington Basin Sector, another New Harbourfront-related property.

In December 2010, CLC received title to a property in Québec known as La Prairie, which was formerly under the custodianship of Transport Canada. CLC is proud to continue working with Transport Canada to assist with the disposal of surplus assets. About a decade ago, CLC worked closely with Transport Canada to dispose of more than 130 properties in Ontario.

In March 2011, CLC acquired 1 Port Street, a former Department of Fisheries and Oceans property that includes a waterlot of approximately 51 acres (20.6 hectares) and table land of approximately 17 acres (6.8 hectares), located in the City of Mississauga on the shore of Lake Ontario at the mouth of the Credit River.

The same month, CLC acquired the 310-acre (125-hectare) former Canadian Forces Base Rockcliffe property, located close to Ottawa's downtown core, a major milestone for the company. As part of the acquisition, CLC has signed a participation agreement with the Algonquins of Ontario. This is a progressive approach to the CFB Rockcliffe disposal and represents a win-win-win situation for Canada, the Algonquins of Ontario and CLC, and allows the development to proceed.

Also in March 2011, the company acquired the Royal Canadian Mounted Police's Southern Alberta District Building and its 4-acre (1.6-hectare) site in Calgary as well as Calgary's Sam Livingston Building from Public Works Government Services Canada in March.

Former CFB Rockcliffe

Pointe-du-Moulin

Financials:

- Net income before tax of $38.2 million
- Gross profit on real estate sales of $39.3 million
- CN Tower revenues of $54.8 million

1 Port Street

Sam Livingston Building

Navy 100th Anniversary

Nokia Building

Rebecca Street

Senior Management Team

Left to right: Robert Howald, Antoinette Bozac, Mark Laroche, Fiorina Guido, Gordon McIvor, Jack Robinson, Brian Evans, Doug Kester, Cameron Charlebois

Mark B. Laroche is President and CEO. Mr. Laroche holds a master's degree in business administration from Concordia University and a bachelor of civil engineering degree from the Royal Military College of Canada, and is a Chartered Director of the Directors College. He was previously Chief Administrative Officer of the City of Gatineau, Québec, and has held senior positions with other Canadian municipalities. Mr. Laroche currently serves on two not-for-profit boards.

Antoinette Bozac is Vice President, Human Resources & Legal Affairs, and General Counsel. Before joining CLC in 2008, she held senior legal and corporate affairs positions at other national and international companies. Ms Bozac is a lawyer licensed in both Québec and Ontario, with extensive experience in commercial transactions and real estate law and in human resources management and programs. Ms Bozac has been involved with various boards, including as a director.

Cameron Charlebois is Vice President, Real Estate, Québec. Earlier in his career, he worked as Senior Director of Development at CN Real Estate, CLC's corporate predecessor. He later served as President and CEO of the Urban Development Institute of Québec. He also worked as the City of Montréal's Deputy General Manager for Urban and Economic Development. Mr. Charlebois' community service includes leadership roles with organizations promoting international development and sustainable cities. He joined CLC in 2009.

Brian Evans is Chief Financial Officer and the Vice President of Finance, a position he has held since 2000. In 1991, he joined CN Real Estate as corporate controller, a position he occupied with CLC. Prior to this, Mr. Evans held the same role with Brookfield properties.

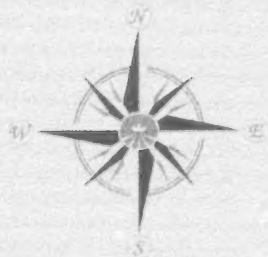
Fiorina Guido is Corporate Secretary for the company, as well as the Access to Information & Privacy Co-ordinator. She has been with the organization since its inception in 1995, and prior to that was with CN Real Estate. Ms Guido was also Corporate Secretary for Queens Quay West Land Corporation, a former Crown corporation. She is a member of the Canadian Society of Corporate Secretaries.

Robert A. Howald is Senior Vice President, Real Estate. He has fulfilled various roles in the real estate and corporate field with Canada Lands since joining the company in 1999. In his career, Mr. Howald has more than 30 years of experience in the real estate industry. Mr. Howald holds a master of business administration degree from the University of Toronto and a bachelor of business administration degree from Wilfric Laurier University.

Doug Kester is Vice President, Real Estate, Western Region, a position he has held since 2000. Mr. Kester has more than 35 years of experience in the real estate development industry. He has been with the company since 1995, following five years with CN Real Estate. Prior to that, Mr. Kester worked in the private sector as a developer in the industrial and commercial market sectors in Calgary and Vancouver.

Gordon McIvor is Vice President, Strategic Acquisitions, Public and Government Affairs. He began his career with the company in 1995, and prior to that was with CN Real Estate. He is the primary spokesperson and contact for the company for the numerous stakeholder groups that CLC works with across the country. He has been recognized as a leader in the communications industry for his Board and community involvement.

Jack Robinson is Chief Operating Officer, CN Tower. Mr. Robinson has been with the CN Tower for 18 years, and served as Director of Sales for many years prior to his current role. Over the course of his career, he has held senior management positions with various multinational companies including Pepsi-Cola Canada, Famous Players Theatres and Lantic Sugar.



26 Management's Discussion and Analysis

40 Management's Responsibility for Financial Reporting

41 Declaration

42 Auditor's Report

43 Consolidated Financial Statements

47 Notes to Consolidated Financial Statements

Management's Discussion and Analysis

June 9, 2011

The following Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements included in this annual report.

Canada Lands Company Limited (CLCL) through its core real estate subsidiary, Canada Lands Company CLC Limited (CLC), carries out its policy mandate "to ensure the commercially oriented, orderly disposition of selected surplus federal real properties with optimal value to the Canadian taxpayer and the holding of certain properties." This mandate was approved by the Government of Canada (the government) on reactivation in 1995. All real estate operations are carried out through CLC and are consolidated in CLCL. Discussion of financial results in this section of the annual report will occur from the perspective of CLC, even though the results are identical to those of CLCL for the 2010—2011 fiscal year.

CLCL holds the shares of Parc Downsview Park (PDP) and the Old Port of Montréal Corporation Inc. (OPMC) in trust for Her Majesty in right of Canada. PDP and OPMC are excluded from consolidation because CLC does not have continuing power to determine their strategic operating, investing and financing policies and because PDP and OPMC have been directed by the government to report as parent Crown corporations.

Balanced Scorecard

CLC employs a balanced scorecard approach to organizational performance management. In line with best practices, the company undertook an extensive stakeholder consultation process in 2010 to refine its balanced scorecard and ensure inclusion of those economic, social and environmental performance targets most material to its identified key external and internal stakeholders. It also integrated the implementation of the balanced scorecard into the employee incentive program for the 2010-2011 fiscal year. The company will continue to revisit and refine the balanced scorecard's targets as necessary so the scorecard will evolve over time.

CLC's balanced scorecard currently contains 34 financial and non-financial organizational performance targets measured by 73 metrics. Each target pertains to one of six key objective areas: engaging communities, developing sustainably, valuing people, managing the environment, contributing to society, and strengthening business operations. The company's newly refined balanced scorecard is featured in its own section of this annual report.

Governance

CLCL continues to provide bare certification of financial statements by its President and Chief Executive Officer and its Vice President, Finance and Chief Financial Officer. Due to the additional expense and resources involved, CLCL has not proceeded further with certification. CLCL will closely monitor developments in this area and assess how it can proceed.

CLCL's Board of Directors is composed of the Chairman and six directors. The Chairman and the directors are independent of management and are appointed by the Governor in Council. A new Chairman was appointed in June 2010. The board held five meetings and one strategic planning retreat during the year. The compensation for the Chairman and directors is set by the Governor in Council and consists of annual retainers of $9,400 for the Chairman and $4,500 for directors, as well as a per diem rate of $375 for both the Chairman and directors and $250 for teleconference meetings.

The board's expenses for the year ended March 31, 2011 (YE11), including travel expenses, conferences and seminars, liability insurance and annual retainers and per diems, totalled $0.5 million, an increase of $0.2 million from last year. The increase was due mainly to studies commissioned by the board and travel costs.

The board and senior management expenses are posted on CLC's website, www.clc.ca.

Results of Operations

(in millions of dollars)	YE11	Budget	YE10
Property sales	$104.5	$114.0	$74.5
Attractions, food and beverages, rental and other CN Tower revenues	54.8	52.9	53.7
Hotel revenue	42.4	35.5	35.6
Gross revenues	217.8	228.2	183.2
General and administrative expenses	18.5	19.9	18.8
Income before taxes	38.2	34.9	39.5
Cash inflows (outflows) before dividends and note repayments	9.6	26.3	38.0

In YE011, CLC earned revenues of $217.8 million and income before taxes of $38.2 million and generated cash inflows of $9.6 million before distributions (repayment of notes payable and dividends) to the government. The CN Tower (Tower) operations generated income before taxes of $9.7 million, and InterContinental Toronto Centre Hotel (Hotel) operations and Real Estate/Corporate (REC) operations generated income before taxes of $0.4 million and $28.1 million, respectively.

Total revenues were $10.4 million below budget, which resulted mainly from decreased property sales of $9.5 million. Property sales increased over last year by $30.0 million, reflecting the Nokia sale in Burnaby, B.C., the commencement of sales at les Bassins in Montréal, and an increase in sales at CFB Griesbach in Edmonton, CFB Calgary and CFB Chilliwack due to the improved economy.

Treasury Board Secretariat implemented cost savings measures throughout the federal government. As a federal Crown corporation, CLC is committed to respecting the spirit and intent of this cost containment effort. Indeed, CLC could be seen as having anticipated this through its decision in 2009-2010 to restructure the company. The major changes consisted of closing the Vancouver office and transferring some staff to Chilliwack, closing the Winnipeg office and merging the three Atlantic offices into one located in Halifax.

These changes allowed CLC to more efficiently service its projects and save $3.6 million in the two year period since it restructured the company before incentive. Excluding the incentive portion, REC general and administrative expenses were 8.7% or $0.7 million more than last year and 11.3% or $1.2 million less than prior to the restructure, while the Tower's general and administrative expenses decreased by 3.6% or $0.3 million and 8.8% or $0.7 million less than prior to the restructure . Combined, CLC's general and administrative expenses before incentive increased by 2.9% or $0.5 million across the company. The incentive portion was $0.8 million less than last year.

($Thousands)	Actual vs. Budget	Actual vs. Restructure	Actual vs. Budget	Actual vs. Restructure
Real Estate/Corporate (REC)	(3.0%)	11.3%	$ (271)	$ 1,173
CN Tower	5.7%	8.8%	$ 433	$ 700
Total CLC	1.0%	10.2%	$ 162	$ 1,873

The interest expense relating to borrowings on the Metro Toronto Convention Centre Complex (MTCCC) was $0.4 million lower than budgeted and $3.2 million more than last year due to increased stamping fees and interest rate increase during the year.

CLC is subject to federal and certain provincial taxes at corporate rates. Income taxes of $10.5 million for YE11 represent an effective rate of 29.6% of income before tax.

Real Estate/Corporate Operations (REC)

(in millions of dollars except where noted)	YE11	Budget	YE10
Property sales	$ 104.5	$ 114.0	$ 74.5
Net profit on property sales	39.3	43.1	43.3
Gross margin on property sales	37.6%	37.8%	58.1%
Expenditures on properties	25.5	56.0	30.6

The net profit on property sales was $4.0 million less than last year. Property sales were $30.0 million more than last year. The increase in sales reflects the commencement of sales in Les Bassins in Montréal and Pleasantville in St. John's Newfoundland and Labrador, the sale of the Nokia Building in Burnaby, and the economic upturn, specifically in relation to sales in Western Canada. The gross margin on property sales decreased from 58.1% last year to 37.6%. This reflects the high gross margin last year related to the sale of Garden City to the City of Richmond last year. The gross margin was 0.2% less than budget. Next year's budget anticipates a gross margin of 33.8% excluding the sale of MTCCC.

Property sales were below budget by $9.5 million, and net profit on property sales was below budget by $3.8 million. The decrease in property sales was due to decreased sales in Calgary from budgeted, partially offset by the sale of the Kelowna lands.

The majority of sales (70%) took place in Western Canada, compared to 86% last year. This reflects the commencement of projects in Ontario, Atlantic and Québec.

Management's Discussion and Analysis

June 9, 2011

One of the company's objectives for YE11 was to gain approval for three property acquisitions from Treasury Board and to receive title transfer for seven properties totalling $24.8 million. The company received title for six properties for a value of $33.0 million and gained approval for three properties.

The company continued tracking its milestones this year, which consist of federal, municipal and corporate objectives.

The federal milestones consisted of projects receiving Assistant Deputy Minister Committee on Real Property Disposals approval, Treasury Board approval and the transfers of title. The total objective was 14 milestones, of which 11 were achieved. Eight of these occurred in Eastern Canada.

Municipal milestones consisted of obtaining development permits, engineering drawings, site registration, site zoning, plan approvals, development agreements and environmental approvals. The milestone was set at 100, of which 95 were achieved. The majority (69) of these were obtained in Western Canada, where much of the development is presently taking place.

Capital expenditures excluding the Tower and the Hotel were $30.5 million below budget. The major reasons for the reduction in capital expenditures were a delay in commencing the John Street Parkette ($5.0 million) and a change in the development plan for Les Bassins ($5.0 million). The following projects were under budget due to timing of the development, Rebecca Street, Oakville ($2.1 million), Pleasantville ($4.0 million), CFB Griesbach Edmonton ($3.3 million) and CFB Chilliwack ($4.2 million). The delay in transfers resulted in a reduction of $5.7 million in capital expenditures.

CN Tower Operations

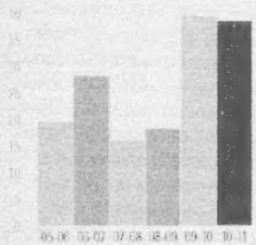
(in millions of dollars except where noted)	YE11	Budget	YE10
Revenues	$ 54.8	$ 52.9	$ 53.7
Earnings before interest, tax and amortization	16.4	13.7	15.6
Income before taxes	9.7	6.6	8.7
Attendance (in millions of people)	1.4	1.4	1.4
Average spending per visitor (in dollars)	$ 35.56	$ 35.21	$ 34.83

Revenues for the year ended March 31, 2011 increased to $54.8 million from $53.7 million last year, and attendance remained the same as last year. The tourism sector in the Greater Toronto Area (GTA) continues to suffer from a declining pool of visitors.

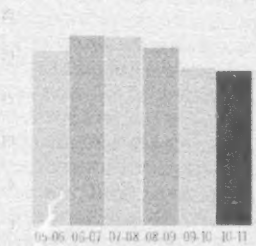
Combined retail and group attendance of 1,428,538 was achieved, compared to the 1,386,000 budgeted and last year's total of 1,417,533. Overall retail (walk-in) attendance was 2.2% above budget but decreased by 1.5% compared to last year, while group attendance increased by 6.9% compared to budget and decreased 2.0% compared to last year. The attractions group attendance was 10,856 above budget and 10,396 less than last year. Organized group business has still not recovered from the recession, primarily due to further declines in the U.S. visitor segment, particularly in the student and coach business.

However, the gap was filled by local visitors and hosts bringing in out-of-town visitors. Many local programs were initiated to drive growth, a continuing process going forward.

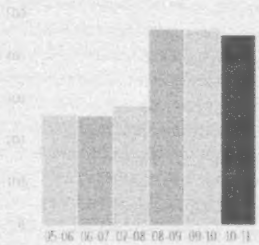
Net income before taxes
(in millions of dollars)



General and Administrative Expenses
(in millions of dollars)



Property inventory
(in millions of dollars)



The average guest spending increased by $0.71 over last year and was $0.35 above budget.

Net income before tax increased to $9.7 million and was $3.1 million or 47.0% above budget, and was $1.0 million or 11.5% more than last year. Attractions segment revenues of $26.4 million were $0.7 million above budget and $0.8 million more than last year. These increases reflect the turn around in the economy.

The attractions portfolio continued to provide a healthy operating margin of 88.9%, compared to the budgeted margin of 89.1% and last year's margin of 89.6%.

The food and beverage segment revenues of $18.3 million were $1.5 million above budget and $0.8 million more than last year. The operating margin of 23.0% was better than the budgeted margin of 20.4% but down from last year's margin of 24.0%.

Retail store operations generated $3.7 million in revenues with an operating margin of $1.2 million or 31.9% compared to the budgeted margin of 31.3% and last year's margin of 31.6%. Changes in visitor demographics contributed to softness in sales.

Total non-direct costs for the year were $18.3 million compared to the $19.4 million budgeted and $18.7 million last year. Savings of $0.4 million were realized in general and administrative expenses compared to last year. Total capital expenditures including equipment incurred were $3.9 million compared to the $4.9 million budgeted.

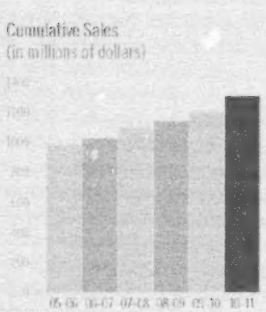
Hotel Operations

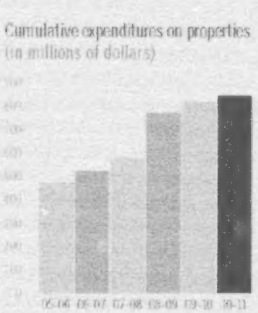
(in millions of dollars except where noted)	YE11	Budget	YE10
Occupancy rate (%)	75.2%	64.8%	67.9%
RevPar	$ 139.55	$ 116.14	$ 118.34
Revenue	42.4	35.5	35.6
Net Income (Loss) Before Taxes	0.4	(3.1)	(1.5)

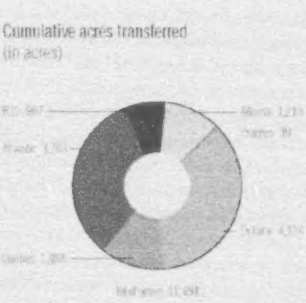
The hotel revenue was $6.8 million more than last year and $6.9 million above budget. This was due mainly to the increased room revenue of $29.9 million which was $4.6 million more than last year, and $5.1 million above budget. The occupancy rate increased from 67.9% last year to 75.2%, the average room rate increased by $11.30 from last year to $185.58.

The interest expense of $3.7 million related to the Hotel was $2.0 million higher than last year and $0.2 million below budget, due to increased stamping fees and interest rate increase during the year.

In YE10 the hotel accrued a $1.0 million expense provision for the cost of a credit card fraud. This has now been settled for approximately $1.0 million.







Management's Discussion and Analysis

June 9, 2011

Properties

(in millions of dollars)	
B.C.	$ 98.1
Alberta	51.4
Ontario	275.6
Québec	13.9
Atlantic	9.2

The property holdings of CLC fall into three categories: revenue producing properties, properties under development for sale, and land held for development or sale.

(in millions of dollars)	March 2011	March 2010
Revenue producing properties	$ 245.9	$ 255.1
Properties under development for sale	123.0	143.6
Land held for development or sale	79.3	59.6

At March 31, 2011, CLC owned six revenue producing properties with a book value of $245.9 million. CLC's principal property assets are the Hotel and 277 Front Street office tower, both purchased as part of the MTCCC acquisition in Toronto. CLC's other major asset is the CN Tower located in Toronto. CLC's revenue producing properties also include an office facility at Glenlyon Business Park in Burnaby and a parking facility in Toronto located next to the Rogers Centre. CLC is also entitled to a portion of the revenue generated from the north parking facility at the MTCCC.

Properties under development for sale consist of seven property holdings totalling approximately 665 acres (269.0 hectares), with a carrying value of $123.0 million, which represents a decrease of $20.6 million from March 31, 2010. The decrease represents the transfer of 4300 North Fraser Way to Income Producing Properties and the sale of lots. The sites under active development include Glenlyon Business Park and the former military bases in Chilliwack, Calgary and Edmonton.

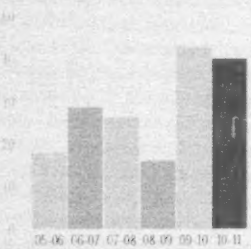
Land held for development or sale consists of 30 property holdings located across Canada totalling 936 acres (378.8 hectares). At March 31, 2011, the carrying value of lands in this category was $79.3 million, a $19.7 million increase from March 31, 2010. This reflects the transfer of CFB Rockcliffe (Ottawa), Port Credit (Mississauga), Rebecca Street (Oakville), La Prairie (near Montréal), Sam Livingston Building (Calgary) and RCMP Building (Calgary) and other capital additions.

During YE11, CLC spent $29.1 million on construction, site servicing, environmental remediation and other investments at its various property holdings.

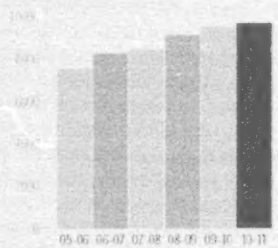
Cash Flows

Cash provided from operating activities during YE11 totalled $56.1 million, an increase of $25.5 million from the $30.6 million provided in YE10. This was due mainly to decreases in capital expenditures and an increase in cost recoveries on sale of properties of $5.1 million, and $6.3 million, respectively.

Gross margin on property sales
(in millions of dollars)



Cumulative acres sold
(in acres)



Cash used by financing activities for YE11 amounted to $74.2 million, an increase of $84.5 million. Included this year was a repayment of the term loan of $48.8 million.

Cash provided in investing activities for YE11 was $7.3 million, due mainly to recovery of cost on sale of revenue producing properties.

Financial Condition and Liquidity

On January 27, 2004, CLC issued a $47.0 million, ten-year fully amortized first mortgage bond at 5.37%, secured by the CN Tower asset and guaranteed by CLC. The mortgage bond had a balance of $16.7 million at March 31, 2011. The bond for the CN Tower received a rating of "A" with a stable trend from Dominion Bond Rating Service Limited on May 27, 2010. CLC is no longer required to obtain updated ratings on this bond.

In April 2010, CLC increased its term loan to $125.0 million with four Canadian chartered banks, maturing March 30, 2013. During the year, CLC has repaid $30.0 million of the term loan reducing the balance to $95.0 million. CLC has two years remaining on its $50.0 million interest rate swap of 3.97%, including the credit spread. The remaining $45.0 million is at a floating interest rate plus a stamping fee of 1.25%.

In addition, CLC has a $70.0 million line of credit with four Canadian chartered banks. Presently, CLC has issued Letters of Credit in the amount of $18.6 million on the line. CLC has access to these funds when required.

At March 31, 2011, CLC had cash of $28.9 million. The debt to equity ratio at March 31, 2011 was 56.6%.

At March 31, 2011, CLC had $69.8 million in discounted notes payable to the government. These notes are unsecured obligations and are repayable on the earlier of their maturity dates or the dates on which net proceeds become available from the sale of the properties in respect of which the notes were issued. CLC expects that proceeds from these sales will enable the notes to be paid prior to their maturity dates. CLC estimates repayment of notes payable of $17.0 million during the year ending March 31, 2012. CLC expects to repay $50.6 million of these notes during the next five years.

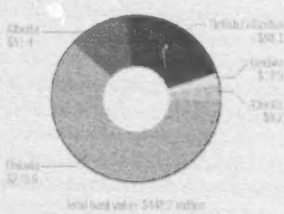
In the coming year, CLC anticipates capital expenditures of approximately $65.7 million on its existing and new properties for construction, site servicing, environmental remediation and the general preparation of its land inventory for sale. Substantial expenditures are expected to be incurred at the former military bases in Calgary, Chilliwack, Edmonton and St. John's in addition to Glenlyon Business Park, Les Bassins and the New Harbourfront in Montréal and the land at the base of the CN Tower. CLC also anticipates property acquisitions from government departments and Crown corporations of $18.0 million, including promissory note gross-up, of which $7.5 million will be cash payments.

Under CLC's dividend policy, the dividend payment is the lower of cash balance at the end of the year less the working capital requirement for the subsequent three years or the return on equity. The return on equity is the lower of the five-year Canada Bond rate at March 31 or 3% of the shareholder's equity at March 31; however, under no circumstance is the cash balance or lines of credit available to total less than $10 million.

Based on the current level of cash and the existing operating line of credit, CLC expects to be able to fund all operating cash requirements and anticipated expenditures on properties for the coming year. In addition, currently contracted sales and future sales anticipated through the normal course of operations should generate sufficient cash proceeds for CLC's business needs and provide funds for distribution to the shareholder.

Properties by category by book value
(in millions of dollars)

Property Distribution by Region by book value
(in millions of dollars)



Management's Discussion and Analysis

June 9, 2011

International Financial Reporting Standards (IFRS) Conversion

Effective April 1, 2011, the company will apply Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises and International Financial Reporting Standards (IFRS) — International Accounting Standards Board (IASB). In 2009, the company prepared and started to implement an IFRS changeover plan designed to address and manage all aspects of this mandatory change in financial reporting standards. Effective April 1, 2011, under the new Treasury Board Standards, CLC will present quarterly financial reports under IFRS. The form and content of such reports will be in accordance with the requirements outlined in the Treasury Board Standard. The first quarterly report will be for the quarter ended June 30 2011 and the first IFRS financial statements will be for the year ended March 31, 2012. A summary of the progress made by the company and the financial reporting impact expected is outlined below. This represents CLCL's views based on all information available and decisions made at this time. As CLCL finalizes its changeover process, the company will continue to provide updates on significant policy changes selected or required and the impact on its financial position and performance.

IFRS CONVERSION PROJECT

The company commenced its IFRS conversion project in 2009 and has established a formal project governance structure which includes the audit committee, senior management and a project team. To ensure adequate management of this process, the corporation established a project team comprised of finance and accounting management as well as representatives from various areas of the organization, as deemed appropriate. Progress reporting to the Audit Committee on the status of the IFRS implementation project has been initiated. An independent external advisor has also been engaged to assist in the conversion project.

The company's IFRS conversion project consists of three phases: Preliminary Scoping and Diagnostic Impact Assessment, Detailed Evaluation, Analysis and Design, and Implementation and Review. Refer to disclosure in the MD&A for the year ended March 31, 2010 for a detailed description of the IFRS conversion project phases.

The preliminary scoping and Diagnostic Impact Assessment and Detailed Evaluation, Analysis and Design phases are completed. Key elements of the implementation and Review phases that are currently in progress include preparation of the IFRS financial statements including notes disclosure for interim and annual periods.

IMPACT OF ADOPTION OF IFRS

IFRS are based on a conceptual framework similar to Canadian GAAP, although significant differences exist related to certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have an impact on the company's reported net cash flows, the company expects it to have a material impact on the statement of income and balance sheet.

Management has quantified and disclosed the expected impact of these changes where known. All changes to the opening balance sheet will require a corresponding tax adjustment to be established based on the resulting difference between the carrying value of the assets and liabilities and the tax basis. The company estimates that the impact of these differences on its April 1, 2010 opening balance sheet under IFRS compared to its March 31, 2010 under Canadian GAAP will result in an increase in retained earnings. The amounts discussed below have not been audited or subject to review by the company's external auditor.

CLCL will ultimately prepare its financial statements, including its opening IFRS balance sheet and other comparative information, by applying the effective IFRS standards at each reporting date. As the International Accounting Standards Board (IASB) is currently in the process of amending certain standards that are applicable to CLCL, the analysis below has been based on the IFRS standards that are anticipated to be effective at the time of transition. The future impacts of IFRS will also depend on the particular circumstances prevailing at the reporting period. As IFRS standards are amended, management will continue to evaluate the impact to its process and accounting policies and will provide updated disclosure as appropriate.

At this time, the company does not anticipate that the transition to IFRS will have a significant impact on its information systems or internal controls. Information systems will be impacted mostly by the need to provide the ability to track IFRS adjustments for the 2010—2011 comparative year, as well as several new or modified reports to assist in preparing the more detailed note disclosure required by IFRS. A parallel run is being conducted successfully and the company's current information systems can handle the dual reporting under Canadian GAAP and IFRS. The company is ready to switch to IFRS run on April 1, 2011.

The company's transaction-level controls will not be affected by the transition to IFRS in any material way. The company will be affected in the presentation and disclosure of its financial statements, and this may lead to significant presentation and process changes for the reporting of more detailed information in the notes to the financial statements.

The company expects that the adoption of IFRS will have an insignificant impact on business activities, agreements and risk management practices e.g., debt covenants.

Training and education up to this point have been limited to those directly involved with the transition to IFRS. As policies are finalized, all affected staff members have been trained in the process changes required for the comparative year with an overview of the reasons behind the change to the new standards. Management provides ongoing updates to the Audit Committee as it relates to the transition to IFRS.

IFRS 1: FIRST-TIME ADOPTION OF IFRS

The initial adoption of IFRS requires the application of IFRS 1, First-time Adoption of International Financial Reporting Standards, (IFRS 1), which generally requires that an entity apply all IFRS effective at the end of the first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and permits limited optional exemptions.

Property fair value as deemed cost

Under IFRS 1, an entity has the elective option to measure the cost of its property, plant and equipment and investment property based on fair value. In accordance with the exemption of IFRS 1, CLC has elected to use fair value as the deemed cost of the CN Tower as of April 1, 2010.

Business combinations

The company will apply the business combinations election, which permits prior business combinations to be maintained as measured under Canadian GAAP.

IFRS 1 allows for certain other optional exemptions; however, the company does not expect such exemptions to be significant to the adoption of IFRS.

IMPACT OF IFRS ON FINANCIAL POSITION

Properties

The classification of the company's properties will follow the categories under IFRS, namely Property, Plant and Equipment, Investment Property and Property Inventories.

Property, plant and equipment

Under the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment (PPE), IFRS permits PPE to be measured under the revaluation model. The company will account for all of its PPE under the cost model. Under IFRS election the CN Tower will be valued using the deemed cost which results in a decrease of $1.5 million at the April 1, 2010 transition date.

Under IFRS, amortization is based on a "component approach" when accounting for depreciable property. Where the property is comprised of significant parts, those parts are accounted for as separate units and are depreciated accordingly. These components include: foundation structure, building equipment, heating and ventilation systems, specialty equipment and building finishes. Under GAAP the "component approach" is not required, most building components were amortized over forty years as part of the useful life of the building; however, under IFRS the components' useful lives range from 8 to 70 years. The company has determined that the IFRS component approach will result in the amortization of significant building components over a shorter period of time corresponding to the respective components' useful life resulting in a $1.1 million decrease in the carrying value of Property Plant and Equipment at April 1, 2010.

Management's Discussion and Analysis

June 9, 2011

If facts and circumstances indicate that intangible assets with finite useful lives, property, plant and equipment, or investment property may have suffered an impairment loss, Canadian GAAP requires a comparison of the carrying amount of these assets with the sum of undiscounted cash flows that are expected to be generated with those assets. If the carrying amount exceeds the sum of the undiscounted flows, these assets are impaired. The necessary impairment charge is the amount by which the carrying amount of the assets exceeds their fair values. Under IAS 36, Impairment of Assets, the assets are impaired if the carrying value of the assets exceed the higher of a fair value less cost to sell or the sum of discounted cash flows that are expected to be generated with these assets (the recoverable amount). The excess carrying amount also represents the necessary impairment charge. As a result of the change in the basis for testing for the impairment under IFRS, the company recognized an impairment charge in the amount of $10.6 million on the hotel which is classified as property, plant and equipment at April 1, 2010.

Investment property

Under the requirements of IAS 40, Investment Property, IFRS permits investment property to be measured under the fair value model or cost model. The company will account for all of its investment property under the cost model.

IAS 40 requires that assets classified as investment property under the cost model follow the same rules as PPE discussed previously. Consequently, the company has determined that the IFRS component approach will result in the amortization of significant building components over a shorter period of time corresponding to the respective components' useful life resulting in a $1.8 million decrease in the carrying value of investment property at April 1, 2010. IAS 40 requires the disclosure of fair market values of Investment Property for each reporting period.

Property inventories

Under Canadian GAAP, the company capitalized incidental rental operations when earned from properties under development. IFRS prohibits the capitalization of operations since the costs incurred and revenues earned are not required to develop the property inventories to their salable conditions as intended by management. The company has determined that this will result in an increase of $36.3 million to inventories at April 1, 2010.

Deferred tax liabilities

The company has determined that deferred income tax liabilities under IFRS will be adjusted primarily due to the increased carrying value of the company's property inventories. The deferred tax liability under IFRS is determined by applying tax rates to temporary differences that are consistent with the company's expectation that the method of realization with owning and operating its properties rather than through sale.

Risks and Uncertainties

CLCL, through CLC, manages and disposes of strategic surplus properties on behalf of the government to ensure that optimal value is realized from these assets. Optimal value recognizes financial value, economic stimulation and contribution to the quality of life in local communities where CLC conducts its business. CLC acted in a manner consistent with this mandate in YL11.

CLC has adopted a proactive approach to business and operational risk management. The mandate of CLC's Risk Management and Internal Controls department and its risk management committee is to identify and help assess the key risks facing the company and then act to eliminate risks where possible, or mitigate, manage, monitor and finally insure those operational and hazard risks where elimination is not practical or possible. The committee is chaired by the Director of Risk Management and Internal Controls, who also manages the enterprise risk management program and the corporate insurance portfolio.

In keeping with its comprehensive insurance program to safeguard its assets, protect financial interests, and target its most important operational and hazard risks, the company improved its overall insurance protection this year and while at the same time negotiating significant reductions in premiums. For the largest assets, CN Tower and MICCC, risk & loss control

engineering surveys were undertaken to enhance the company's protection of assets and value. In addition, property insurance values for replacement cost coverage of the CN Tower were increased to reflect an updated property appraisal.

In the past year, several risk management and internal control initiatives and enhancements were undertaken, including:

- a risk control engineering survey completed at Cleniyon Business Park & Service Buildings to evaluate hazards and risk controls, with positive evaluations and only minor recommendations tabled to minimize risks;
- an annual risk evaluation and quantification of CLC's property assets, including business and rental income and vacant land, for the company's insurance program (covering hazard and operational risks) to ensure it continues to meet corporate needs and safeguards important assets;
- a reduction in the total cost of operational and hazard risk, achieved by improving risk communication on loss prevention programs, transferring risk where feasible through contracts, agreements, hold-harmless facilities and leases, improving insurance protection and considerably reducing corporate insurance premiums;
- and a physical security review is underway at the CN Tower to address existing security measures, including physical protection system elements covering three core areas: a) protection (physical barriers & access control), b) detection, and c) response plans (post-incident planning).

The following internal audits were performed during the year:

- 2010-2011 Updated Business Risk Assessment
- InterContinental Hotel - Treasury and Expenditure review
- Chilliwack - Sales and Contracting review

Management agreed with the findings of the audits and all recommendations are being implemented.

In progress:

- Entity level controls review - to be completed by June 2011

Project Management Review for Les Bassins project at 1500 Ottawa (Montréal, Québec)

During the year, the properties acquired by CLC were Rebecca Street Oakville, La Prairie, near Montréal, CFB Rockcliffe in Ottawa, Port Credit Harbour Lands in Mississauga, the Sam Livingston Building and the RCMP SAD building both in Calgary. CLC had a land bank of approximately 1,615 acres (653.5 hectares) at March 31, 2011.

CLC is currently in negotiations with government departments and agencies regarding a further acquisition of 1,978 acres (800.3 hectares). As many of the individual properties potentially available for acquisition are substantial in size, ranging from 1 to 1,620 acres (0.3 to 655.5 hectares), planning, development and reintegration of these properties into local communities will take place over a number of years. Although CLC is vulnerable to adverse changes in local real estate market conditions which can affect demand, it also allows CLC to wait for improvement in local real estate markets as it has other properties for sale across Canada.

CLC's holdings and potential acquisition of properties from the government are impacted by aboriginal land claims. CLC continues to work with various government agencies and organizations to assist in establishing a process whereby such surplus lands could be transferred to CLC.

Management's Discussion and Analysis

June 9, 2011

Historically, the CN Tower's operations have been directly linked to the tourism sector in Toronto, as demonstrated dramatically by the impact of SARS on tourism in 2003. The number of visitors to the CN Tower is also related to both the seasons and daily weather conditions. Recognizing and acting upon the potential of both attracting a higher percentage of Toronto's tourists and focusing less on seasonal corporate business will further enhance the performance of the CN Tower's business development initiatives.

The Hotel revenue is directly linked to the economy and the tourism sector in Toronto.

Future Prospects

The Canadian economy is expected to grow in 2011 by 2.9%, and 2.6% in 2012 according to a forecast by the Bank of Canada. This economic recovery is proceeding more rapidly than previously projected. This reflects strong growth in global markets and an increase in US business and consumer spending. Presently, nearly three quarters of Canada's exports are to the United States. As the Canadian dollar is presently above par with the US dollar, the level of exports may be affected. Canadian interest rates are still low but are expected to increase by 0.75% this year to 1.75% and a further 1.25% next year, according to a TD Bank forecast.

The housing market has recovered but is expected to stay flat for the next two years affected by expected future interest rate increases and indebtedness is at an all time high.

CLC's major residential developments are in Alberta and British Columbia, where CLC is redeveloping the former CFB Calgary, CFB Griesbach and CFB Chilliwack where the residential market continues to improve. In two of these projects, CLC has interim rental operations which between them generate revenue in excess of any holding costs. In St. John's, Newfoundland and Labrador, CLC is in the midst of development of Pleasantville on the site of a former military base.

CLC's recent sales activities demonstrate that there is ongoing demand for its land holdings and it can continue to create significant benefits and/or value from its property portfolio, which is diverse as to location, value, size and current or potential uses.

There remains a very large inventory of surplus properties within the government's real estate portfolio. Acquiring more of these properties will enable CLC to further enhance the value it creates for the Government of Canada and to continue to fulfill its mandate of creating optimal value for the government while reintegrating properties into communities in a financially prudent and socially responsible manner.

Decommissioned military bases acquired from the Department of National Defence require major investment for site servicing, infrastructure and remediation in order to make the properties suitable for community use. As CLC starts to develop new properties acquired from the government, there will be added demand on CLC's cash resources; however, CLC will continue to make mandatory note repayments to the government or affiliated Crown corporations, in addition to the dividend payments stipulated in its dividend policy, as part of its total distributions to the government.

Looking forward, CLC anticipates another profitable year of operation. The marketing of the Metro Toronto Convention Centre Complex (consisting of the InterContinental Hotel and the 277 Front Street Office building) and several other eastern region properties now under development, and the additional acquisition of properties from the government will result in increased revenues over the next two to three years.

Income before taxes is expected to increase from $39.5 million in 2011—2012 to $65.7 million in year five of the upcoming plan period. Property sales of $249.7 million are anticipated in 2011—2012 which includes the sale of the Metro Toronto Convention Centre Complex, averaging $178.2 million a year over the next five years excluding the sale of the Hotel and office tower in the MTCCC.

Attendance at the CN Tower is expected to increase by 6.5% over the five-year plan period, which is 82% of its top attendance year, resulting in a proportional increase in revenues. Finally, the property asset base of the company by year four of the upcoming plan period is projected to be nearly $110 million after the sale of the MTCCC.

The occupancy rate at the Hotel is forecast to decrease by 2.4% to 72.8% with the RevPar decreasing by $8.90 to $130.65 due to the additional competition from the four star hotels opening this year and next.

Management's

Responsibility For Financial Reporting

The consolidated financial statements of Canada Lands Company Limited have been prepared by management of the corporation in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

Management maintains financial and management reporting systems which include appropriate controls to provide reasonable assurance that the corporation's assets are safeguarded, to facilitate the preparation of relevant, reliable and timely financial information, and to ensure that transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, and the articles and by-laws of the corporation.

Where necessary, management uses judgment to make estimates required to ensure fair and consistent presentation of this information.

The Board of Directors of Canada Lands Company Limited is composed of seven directors, none of whom are employees of the corporation. The Board of Directors has the responsibility to review and approve the financial statements, as well as overseeing management's performance of its financial reporting responsibilities. An Audit Committee appointed by the Board of Directors of the corporation has reviewed these statements with management and the auditor, and has reported to the Board of Directors. The Board of Directors has approved the financial statements.

The auditor is responsible for auditing the financial statements and has issued a report thereon.

All other financial and operating data included in the annual report are consistent, where appropriate, with information contained in the financial statements.

Mark B. Laroche
President and CEO

Brian Evans
Vice President, Finance and
Chief Financial Officer

June 9, 2011

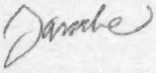
Declaration

We, Mark Larocche, President and CEO, and Brian Evans, Vice President, Finance and Chief Financial Officer, certify that:

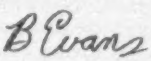
We have reviewed the consolidated financial statements of Canada Lands Company Limited for the fiscal year ended March 31, 2011;

based on our knowledge, the consolidated financial statements do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the fiscal year covered by this annual report; and

based on our knowledge, the annual consolidated financial statements together with the other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of Canada Lands Company Limited, as of the date and for the periods presented in this report.



Mark B. Larroche
President and CEO



Brian Evans
Vice President, Finance and
Chief Financial Officer

June 9, 2011

Auditor's Report

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

Minister of Public Works and Government Services

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Canada Lands Company Limited and its subsidiary, which comprise the consolidated balance sheet as at 31 March 2011, and the consolidated statement of income, comprehensive income and retained earnings and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Lands Company Limited and its subsidiary as at 31 March 2011, and the results of their operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canada Lands Company Limited and its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and by-laws of the Canada Lands Company Limited and its wholly-owned subsidiary.

Sylvain Ricard, CA
Assistant Auditor General
for the Interim Auditor General of Canada

9 June 2011
Ottawa, Canada

Consolidated

Financial Statements

Consolidated Statement of Income, Comprehensive Income and Retained Earnings

For the year ended March 31

In thousands	Note	2011	2010
REVENUES			
Real estate sales		$ 104,531	$ 74,540
Attractions, food and beverage, room and other hospitality revenues		94,503	86,873
Rental		15,366	17,969
Interest and other		3,393	3,832
		217,793	183,214
EXPENSES			
Real estate cost of sales		65,251	31,269
Attractions, food and beverage, room and other hospitality expenses		64,809	60,328
Rental operating costs		11,025	10,839
General and administrative		18,501	18,796
Write-off of capitalized costs and pre-acquisition costs		77	4,174
Amortization and other expenses		12,776	14,056
Interest and other financing costs		7,178	4,244
		179,617	143,708
INCOME BEFORE INCOME TAXES		38,176	39,506
Future income tax expense (recovery)	10	2,776	(409)
Current income tax expense	10	7,700	11,848
		10,476	11,439
NET INCOME		27,700	28,067
Other comprehensive income (loss)	12	(322)	-
NET INCOME AND COMPREHENSIVE INCOME		27,378	28,067
RETAINED EARNINGS, BEGINNING OF YEAR		150,310	122,243
Net income		27,700	28,067
Dividend declared and paid		(8,500)	-
RETAINED EARNINGS, END OF YEAR		$ 169,510	$ 150,310

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated

Financial Statements

Consolidated Balance Sheet

As at March 31

In thousands	Note	2011	2010
ASSETS			
Properties			
Revenue producing properties	3	$ 245,910	$ 255,152
Properties under development for sale		122,972	143,585
Land held for development or sale		79,287	59,555
		448,169	458,302
Other Assets			
Cash and cash equivalents	4	28,899	39,696
Amounts receivable and other assets	5	49,129	40,214
		78,028	79,910
		$ 526,197	$ 538,212
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Mortgage bond payable	6	$ 16,650	$ 21,587
Term loans	7	94,372	143,123
Notes payable	8	59,804	46,320
Interest rate swap liability		457	
Accounts payable and accrued liabilities		21,070	22,652
Income taxes payable		-	480
Future tax liabilities	10	4,129	1,350
Prepaid rent, deposits and others		5,446	7,309
		211,928	242,821
Shareholder's Equity			
Capital stock	9		
Contributed surplus	9	145,081	145,081
Retained earnings		169,510	150,310
Accumulated other comprehensive income (loss)	12	(322)	-
		169,188	150,310
		$ 526,197	$ 538,212
Commitments and contingencies	11		

The accompanying notes are an integral part of the consolidated financial statements

On behalf of the Board

Grant B. Walsh

Wayne MacIntosh

Consolidated Statement of Cash Flows

For the year ended March 31

In thousands	Note	2011	2010
OPERATING ACTIVITIES			
Net income		$ 27,700	$ 28,067
Recovery of costs on sale of properties held for development or sale		37,523	31,269
Expenditures on properties held for development or sale		(25,113)	(30,203)
Write-off of capitalized costs and pre-acquisition costs		77	4,174
Future income taxes		2,276	(409)
Amortization		12,615	12,245
		55,578	45,143
Net change in non-cash working capital		572	(14,493)
CASH PROVIDED BY OPERATING ACTIVITIES		56,150	30,650
FINANCING ACTIVITIES			
Repayment of notes payable		(11,940)	(1,500)
Dividend paid		(8,500)	-
Issuance of term loans		-	19,564
Repayment of term loans		(48,751)	(3,000)
Repayment of mortgage bond payable		(5,030)	(4,771)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		(74,221)	10,293
INVESTING ACTIVITIES			
(Decrease) increase in restricted cash		(156)	140
Expenditures on revenue producing properties		(4,017)	(4,545)
Recovery of costs on sale of revenue producing properties		11,447	-
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		7,274	(4,406)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(10,797)	36,537
Cash and cash equivalents, beginning of year		39,696	3,159
CASH AND CASH EQUIVALENTS, END OF YEAR		28,899	39,696
Supplemental cash flows information	13		

The accompanying notes are an integral part of the consolidated financial statements

Notes To Consolidated

Financial Statements

1. Authority and Activities of CLCL

Canada Lands Company Limited (CLCL or the corporation) became an agent Crown corporation pursuant to Governor in Council approval (order-in-council number P.C. 2003-1306). It was originally named Public Works Lands Company Limited, was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. It is listed as a parent Crown corporation in Part I of Schedule III to the *Financial Administration Act*.

CLCL conducts its real estate business operations through Canada Lands Company CLC Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially oriented and orderly disposal program of certain real properties of the Government of Canada (the government) and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in its capacity as owner or on behalf of the government.

2. Summary of Significant Accounting Policies

A) GENERAL

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

B) CONSOLIDATION

The accounts of CLC, a wholly-owned subsidiary of CLCL, are consolidated with CLCL's accounts.

CLCL holds the shares of Old Port of Montréal Corporation Inc. (OPMC) and Parc Downsview Park (PDP) in trust for Her Majesty in right of Canada. OPMC and PDP are excluded from consolidation because CLCL does not have continuing power to determine their strategic operating, investing and financing policies and because OPMC and PDP have been directed by the government to report as parent Crown corporations. CLCL has no recorded investment in OPMC and PDP. As at March 31, 2010, the latest date for which audited financial statements are available, OPMC had assets of $106.5 million, liabilities of $104.8 million and equity of $1.7 million, with revenues of $16.8 million and an excess of operating expenditures over revenues of $21.3 million for the year then ended. As at March 31, 2010, PDP had assets of $44.3 million, liabilities of $46.3 million and equity of ($2.0) million, with revenues of $12.2 million and an excess of operating expenditures over revenues of $4.7 million for the year then ended.

C) REVENUE RECOGNITION

CLCL recognizes revenue as follows:

i) Real estate sales

Sales revenues are recognized upon title of the property passing to the purchaser and receipt of at least 15% of the total proceeds.

ii) Rental

Rental revenues include rents from tenants under operating leases, property taxes and operating cost recoveries and parking income.

Rental revenue is recognized in accordance with each lease over the term of the lease.

iii) Attractions, food and beverage, room and other hospitality revenues

Revenues from ticket sales, food and beverage sales, retail store sales and hospitality revenues are recognized at point of sale or when services are provided as appropriate.

D) PRE-ACQUISITION COSTS

Costs incurred on properties that CLC has no title to or early use agreement for are expensed to the consolidated statement of income, comprehensive income and retained earnings.

E) PROPERTIES

i) Revenue producing properties are reviewed for impairment whenever events or changes to circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the estimated undiscounted future cash flows from operations and expected residual value is less than the carrying value of a particular asset, an impairment would be recognized, whereby the asset would be written down to fair value if the carrying amount exceeds fair value.

ii) Properties under development for sale and land held for development or sale are carried at the lower of cost and estimated net realizable value. Adjustments to the carrying value of properties are recorded in the write-off of capitalized costs and pre-acquisition costs in the consolidated statement of income, comprehensive income and retained earnings.

iii) CLCL capitalizes direct construction and development costs, including financing costs and directly attributable overhead costs, to the properties under development for sale and land held for development or sale net of any revenues generated during development.

iv) Amortization on revenue producing properties is calculated under the straight-line method using rates based on the estimated remaining useful lives of the assets, which range from five to 40 years. Amortization is recorded in amortization and other expenses.

F) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The corporation includes future servicing costs in its liabilities, based on management's best estimates. Actual results could differ significantly from those estimates.

In determining estimates of net realizable value for its properties, CLCL relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of expectations concerning future events. Due to the assumptions made in arriving at estimates of net realizable value, such estimates, by nature, are subjective and do not necessarily result in a precise determination of asset value.

In arriving at such estimates of net realizable value of the properties, management is required to make assumptions and estimates as to future costs which could be incurred in order to comply with various laws and regulations. Such estimates are, however, subject to change based on agreements with regulatory authorities, changes in laws and regulations, the ultimate use of the property, and as new information becomes available.

G) INCOME TAXES

The corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of substantive enactment.

Notes To Consolidated

Financial Statements

H) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office equipment and computer software and hardware	3 to 5 years
Catering, hospitality and entertainment equipment	3 to 15 years
Leasehold improvements	Term of the lease

I) FINANCIAL INSTRUMENTS

All financial assets and financial liabilities are measured at fair value on initial recognition except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held- for-trading, available-for-sale, or held-to-maturity, loans and receivables and other liabilities.

Financial instruments classified as held-for-trading are measured at fair value taking into consideration the timing and risk of individual projects and unrealized gains and losses are included in net income in the period in which they arise. The corporation's financial instruments classified as held-for-trading include cash and cash equivalents and restricted cash.

Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost using the effective interest method. The principal categories of the corporation's financial assets and liabilities measured at amortized cost using the effective interest method include: (i) amounts receivable and accounts payable; (ii) mortgages and secured notes receivable; (iii) mortgage bond payable; (iv) term loans; and (v) notes payable.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as either held-for-trading or held-to-maturity and loans and receivables. Available-for-sale assets are measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in income. The corporation had no financial instruments classified as available-for-sale.

Derivative financial instruments that are not designated as effective hedging instruments must also be classified as held-for- trading and measured accordingly.

The corporation documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The corporation also assesses, both at the hedges inception and on an ongoing basis, whether the derivatives that are designated as hedges are highly effective in offsetting changes in fair values or cash flows of hedged items.

In cash flow hedging relationships, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income (OCI), while the ineffective portion is recognized in net income. Hedging gains and losses recognized in accumulated other comprehensive income (AOCI) are reclassified to net income in the periods when the hedged item affects net income. Gains and losses on derivatives are immediately reclassified to net income when the hedged item is sold or terminated or when it is determined a hedged financial transaction is no longer probable.

J) FUTURE CHANGES IN ACCOUNTING POLICIES

In February 2008, the IASB confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards (IFRS) in place of GAAP for fiscal years beginning on or after January 1, 2011.

The Introduction to the Public Sector Accounting Handbook as issued by the Public Sector Accounting Board (PSAB) states that for purposes of their financial reporting, government business enterprises are deemed to be publicly accountable enterprises and should adhere to the standards applicable to publicly accountable enterprises in the CICA Handbook.

The corporation has developed and implemented an IFRS changeover plan to support the transition from Canadian GAAP to IFRS in the March 31, 2012 financial statements.

The implementation plan consists of planning and early issue identification, a detailed evaluation of differences between GAAP and IFRS, implementation of new standards, training of operational and financial staff and change of accounting procedures. The impact on the corporation's financial results has been analyzed and presented to management and the audit committee.

3. Revenue Producing Properties

CLCL's revenue producing properties consist primarily of the CN Tower, the 277 Front Street West office tower, InterContinental Toronto Centre Hotel at 255 Front Street West and parking facilities.

In thousands	2011	2010
Land	$ 9,926	$ 11,176
Buildings	288,614	288,930
In-place leasing costs	9,493	9,493
	308,033	309,599
Accumulated amortization	62,123	54,447
	$ 245,910	$ 255,152

Amortization expense of approximately $9.4 million (2010 – $9.3 million) was charged to amortization and other expenses.

4. Cash and Cash Equivalents

In thousands	2011	2010
Cash	3,899	39,696
Cash equivalents	25,000	-
	$ 28,899	$ 39,696

Cash equivalents are comprised of only highly liquid investments, such as term deposits, with original maturities at the date of purchase of three months or less.

Notes To Consolidated

Financial Statements

5. Amounts Receivable and Other Assets

Amounts receivable and other assets are comprised of the following:

In thousands	2011	2010
Mortgages and secured notes a)	$ 18,190	$ 2,085
Assignment of rents b)	2,214	2,984
Prepaids	4,399	5,046
Rents and other receivables	14,038	19,335
Restricted cash c)	962	806
Property, plant and equipment d)	9,326	9,958
	$ 49,129	$ 40,214

a) Mortgages and secured notes receivable bear interest at a fixed rate at closing, yielding a weighted average rate of 5.11% (2010 – 6.75%), and are receivable within 5 years.

b) CLCL has a receivable under an assignment agreement in respect of rents receivable, which entitles it to receive rental income until April 30, 2013. The future stream of cash flows is originally discounted at a fixed interest rate of 11.38%. The receipts are estimated to be as follows:

In thousands	
Years ending March 31	2012 $ 879
	2013 1,001
	2014 334
	$ 2,214

Based on current rates, the net present values of this future stream of cash flows total $2.1 million (2010 – $2.9 million).

c) Restricted cash represents holdback money owing for the CFB Chilliwack project.

d) Property, plant and equipment are comprised of the following:

In thousands	2011			2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Office equipment and computer hardware	$ 8,624	$ 6,688	$ 1,936	$ 7,884	$ 5,906	$ 1,978
Computer software	864	695	169	847	493	354
Catering, hospitality and entertainment equipment	16,152	8,931	7,221	14,214	6,640	7,574
Leasehold improvements	416	416		468	416	52
Total	$ 26,056	$ 16,730	$ 9,326	$ 23,413	$ 13,455	$ 9,958

Amortization expense of approximately $3.2 million (2010 – $2.9 million) was charged to amortization and other expenses.

6. Mortgage Bond Payable

The original amount issued of First Mortgage Bond, Series A, is $47 million. Maturity is in January 2014 with semi-annual principal and interest payments at a fixed rate of 5.37%.

Certain of CLC's properties have been pledged as collateral. The carrying value of the pledged properties as of March 31, 2011 was $89.6 million (2010 – $91.4 million). The mortgage bond payable has a maturity schedule as follows:

In thousands		
Years ending March 31	2012	$ 5,304
	2013	5,593
	2014	5,897
		$ 16,794
Less: Net unamortized deferred financing		144
		$ 16,650

Interest is payable at an annual effective rate of 5.80%. Interest incurred on the mortgage bond payable amounted to $1.1 million for the year (2010 – $1.4 million).

CLC has the right to redeem the Series A bond at any time upon payment of a specified redemption price equal to the greater of the Canada yield price and par, in each case together with accrued and unpaid interest up to but excluding the date fixed for redemption.

7. Term Loans and Operating Line of Credit

The term loans are made up of the indebtedness of $95 million net of financing fees used to finance the acquisition of the office tower at 277 Front Street West and the hotel facility at 225 Front Street West. The $35 million amount is part of a credit facility with the TD Bank and three other Canadian banks at Bankers' Acceptance rate plus 1.5% or prime plus 0.5% that matures in March 2013 and is secured by certain of CLC's properties. The $70 million operating line of credit matures on March 30, 2012 and bears interest at Bankers' Acceptance rate plus 1.25% or prime plus 0.25%, with draws subject to certain conditions. The operating line is also used to secure letters of credit which totalled $18.5 million at March 31, 2011 (2010 – $23.8 million).

Notes To Consolidated

Financial Statements

8. Notes Payable

The notes payable were issued in consideration of the acquisition of real estate properties and are due to the government. These notes are repayable on the earlier of their due dates (2012 to 2024) or the dates on which net proceeds become available from the sale by CLCL of the properties in respect of which the notes were issued. All notes are non-interest bearing. The notes are discounted using an imputed fixed interest rate. The imputed interest is accrued and capitalized to properties or expensed, as appropriate, at a weighted average rate of 6.4% (2010 – 8.4%).

During the year ended March 31, 2011, interest capitalized was $2.4 million (2010 – $5.1 million).

Based on the anticipated timing of the sale of the real estate properties, principal repayments are estimated to be as follows:

In thousands		
Years ending March 31	2012	$ 17,000
	2013	4,200
	2014	10,500
	2015	13,092
	2016	5,810
Subsequent years		40,285
		90,887
Less: Amounts representing imputed interest		21,063
		$ 69,824

9. Capital Stock

CLCL is authorized to issue three shares, which shall be transferred only to a person approved by the minister designated as the appropriate minister for CLCL (minister). The current minister is the Minister of Public Works and Government Services. The three authorized shares have been issued and are held in trust for Her Majesty in right of Canada by the minister. Nominal value has been ascribed to the three issued shares of CLCL.

Contributed surplus is comprised of the net assets of $249.6 million acquired from the Minister of Public Works and Government Services less $104.5 million transferred to capital stock. Subsequently, CLC's capital stock was reduced by this amount through payments to the shareholder in accordance with the *Canada Business Corporations Act* during the period 1996 to 2000.

10. Income Taxes

CLCL is a prescribed federal Crown corporation that is subject to tax federally and under most provincial jurisdictions, with the exception of Alberta.

CLCL's actual income tax expense under Canadian GAAP differs from the expected income tax expense using the combined federal and provincial statutory rate as follows:

In thousands		2011		2010
Expected statutory rate of tax		29.8%		32%
Expected income tax expense	$	11,377	$	12,583
(Decrease) Increase in tax expense resulting from:				
Non-taxable capital gain (loss)		(1,215)		-
Income not taxable in certain provinces		(305)		(387)
Increase (Decrease) in federal tax		241		(323)
Other		468		(434)
Actual income tax expense	$	10,476	$	11,439

Other includes the reversal of $0.2 million ($0.2 million in 2010) of tax reserves that were previously included in accounts payable and accrued liabilities. These tax reserves were established in the event taxation authorities were successful in challenging certain tax filing positions made by the corporation.

The components of the future tax liabilities are as follows:

In thousands		2011		2010
Future tax liabilities				
Revenue producing properties	$	(1,503)	$	(1,807)
Notes payable and accounts payable		(6,523)		(1,085)
Reserves		(1,256)		(88)
		(9,292)		(2,980)
Future tax assets				
Properties under development for sale		101		449
Land held for development or sale		4,662		388
Other assets		380		-
Reserves		-		793
		5,163		1,630
Net future tax liabilities	$	(4,129)	$	(1,350)

11. Other Liabilities, Commitments and Contingencies

a) Capital commitments for servicing requirements and other development costs at March 31, 2011 totalled $22.4 million (2010 – $15.7 million).

b) CLC has a $70.0 million operating line of credit with four Canadian chartered banks. This operating line of credit is presently used for borrowings of nil (2010 – $19.0 million) and letters of credit issued for the fulfillment of certain real estate servicing obligations totalling $18.6 million at March 31, 2011 (2010 – $23.8 million).

Notes To Consolidated

Financial Statements

c) As at March 31, 2011, the corporation was involved in claims and proceedings that arise from time to time in the ordinary course of business, including actions with respect to contracts, construction liens, aboriginal title claims, employment and environmental matters. Provisions for liability are recorded if and when losses for such matters are likely and the amounts can be reasonably estimated. Based on external legal advice and the information currently available to the corporation, management believes that the resolution of these matters and any liability arising from them will not have a significant adverse effect on these consolidated financial statements. However, these matters are subject to inherent uncertainties and their outcome is difficult to predict; therefore, management's view of these matters may change in the future.

d) The corporation has operating lease obligations for office space, computer hardware and other equipment. The future minimum annual lease payments are as follows:

In thousands		
Years ending March 31	2012	$ 1,237
	2013	1,143
	2014	1,013
	2015	920
	2016	919
Subsequent years		501
		$ 5,733

12. Comprehensive Income

The corporation had other comprehensive loss transactions for the year ended March 31, 2011 of $0.3 million (2010 - $ nil) and a closing accumulated other comprehensive loss balance of $0.3 million (2010 – $ nil).

13. Consolidated Statement of Cash Flows – Supplemental Information

Property acquisitions and additions which were satisfied by the issuance of notes payable in the amount of $33.0 million (2010 – $4.2 million) have been excluded from the consolidated statement of cash flows.

Non-cash increase in properties and notes payable of $2.4 million (2010 – $5.1 million) for capitalization of interest have been excluded from the financing and investing activities in the consolidated statement of cash flows.

During the year ended March 31, 2011, interest received totalled $0.2 million (2010 – $1.0 million), interest paid amounted to $7.7 million (2010 – $3.8 million) and income taxes paid totalled $12.2 million (2010 – $12.4 million).

14. Related Party Transactions and Balances

CLC is related in terms of common ownership to all federal government departments, agencies and Crown corporations. CLC enters into transactions with these entities in the normal course of business. These transactions are measured at their exchange amounts.

During the year ended March 31, 2011:

a) CLC acquired an interest in real estate properties from a federal government department for a purchase price of $33.0 million (2010 – $4.2 million). Consideration for this asset was the issuance of a note payable of $33.0 million (see Note 8).

b) CLC received management fees of $0.1 million from federal government departments (2010 – $0.2 million). CLC also received various rental and other revenues from federal agencies and departments of $12.7 million (2010 – $11.4 million).

c) CLC had a receivable from federal agencies and departments of $1.3 million for rentals (2010 – receivable of $1.3 million for rentals).

15. Financial Instruments

All financial instruments measured at fair value must be classified in fair value hierarchy levels, which are as follows:

Level 1 – Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Financial instruments are considered Level 2 when valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

Level 3 – Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy of financial instruments measured at fair value is as follows:

As at March 31	2011	2010
Cash and cash equivalents	Level 1	Level 1
Restricted cash	Level 1	Level 1
Amounts receivable and accounts payable	Level 1	Level 1
Mortgages and secured notes receivable	Level 2	Level 2
Mortgage bond payable	Level 2	Level 2
Term loans	Level 1	Level 1
Notes payable	Level 2	Level 2
Hedge (Interest rate swap)	Level 2	-

The carrying values of CLC's amounts receivable approximate their fair values based on estimated future cash flows discounted at market rates available to CLC for financial instruments with similar risk, terms and maturities.

The carrying values of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair values due to their short-term nature, or are based on estimated discounted cash flows, as appropriate.

The carrying values of term loans approximate their fair values due to their short-term nature.

The corporation uses an interest rate swap derivative to manage interest rate risk on a portion of its variable debt. This derivative is designated as a cash flow hedge with a notional amount of $50 million and a fixed rate of 2.47% plus stamping fee of 1.5% maturing on April 1, 2013. At March 31, 2011, the amount of hedge ineffectiveness recorded in interest expense in connection with the corporation's interest rate hedging activities was insignificant.

The fair value of the corporation's interest rate swap derivative instrument is based on estimated credit-adjusted forward market prices. The corporation takes counterparty risk and the corporation's own risk into consideration for the fair value of the financial instrument.

The gains on derivatives designated as cash flow hedges will be reclassified from accumulated other comprehensive income to net income during the periods when the hedged gains are recorded. The amounts will be reclassified to revenues over periods up to 2 years of which approximately $0.5 million loss will be reclassified during the next 24 months.

The fair value of the mortgage bond payable and notes payable is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

In thousands	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
Mortgage bond payable	$ 16,650	$ 17,278	$ 21,587	$ 21,950
Notes payable	59,804	67,287	46,320	37,958

Notes To Consolidated

Financial Statements

16. Financial Risk Management

A) LIQUIDITY RISK

Liquidity risk is the risk that CLC will not be able to meet its financial obligations as they fall due. CLC manages its liquidity risk by forecasting cash flows from operations and anticipating capital expenditures and financing activities.

CLC has a $70.0 million (2010 - $100.0 million) operating line of credit with four Canadian chartered banks which matures March 30, 2012. CLC must receive approval from the Minister of Finance annually on all financing. At March 31, 2011, the corporation was holding cash of $28.9 million (2010 - $39.7 million) and had available undrawn lines of credit of $51.4 million (2010 - $57.2 million).

CLC has a $95.0 million (2010 - $125.0 million) term financing loan on the office tower at 277 Front Street West and the hotel facility at 225 Front Street West which matures March 2013.

The contractual maturities of the corporation's other financial instrument liabilities are disclosed in note 6, note 8 and note 15.

B) INTEREST RATE RISK

CLC is exposed to interest rate risk on its borrowings which exposes CLC to unpredictability in forecasting its cash flow requirements. It minimizes this risk by obtaining long-term fixed interest rate debt on some long-term investments. CLC also manages interest rate risk by utilizing an interest rate swap derivative on a portion of its variable debt. Under the current financing terms, an increase in the interest rate of one percentage point on the term loans would result in an additional expense of approximately $0.5 million.

Financial assets and financial liabilities with variable interest rates expose the corporation to cash flow interest rate risk. The corporation's term loans described in note 7 exposes the corporation to cash flow interest rate risk. The corporation has hedged 53% of the exposure to fluctuations in interest rates related to this instrument by entering into a $50 million interest rate swap, where the corporation pays a fixed interest rate in exchange for receiving a floating interest rate. The interest rate swap is designated as a hedging instrument under the cash flow hedge accounting model. An increase of 50 basis points in interest rates at the reporting date will increase the interest expense and decrease net income and comprehensive income by approximately $225 thousand, after consideration of the hedged portion of the debt instrument.

Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The corporation does not account for its fixed rate debt instruments as held for trading; therefore, a change in interest rates at the reporting date would not affect net income with respect to these fixed rate instruments. The corporation's interest rate swap exposes the corporation to fair value interest rate risk.

C) ENVIRONMENTAL RISK

CLC is subject to various federal, provincial and municipal laws relating to environmental matters. CLC purchases government properties no longer required for departmental use. These properties may have environmental problems related to their prior use. Before a property is transferred, CLC will perform an environmental study of the property to identify any environmental problems. CLC is liable for environmental costs for properties that were part of the initial transfer when it was reactivated in 1995. For certain properties acquired post reactivation, CLC assumes environmental liabilities as part of the purchase.

D) CREDIT RISK

CLC's credit risk arises from the possibility that tenants or purchasers with vendor take-back mortgages may experience financial difficulty and be unable to pay the amounts owing under their commitments. CLC attempts to reduce the risk of credit loss by limiting its exposure to any one tenant or industry and doing credit assessments in respect of new leases or credit transactions as well as requiring security deposits.

The corporation's cash, including bank deposits and term deposits as well as receiving security deposits, is held with major financial institutions. The corporation does not expect any related counterparties to fail to meet their obligations.

The corporation's maximum exposure to credit risk is limited to the carrying value of each asset and the guarantee provided by the corporation.

Credit risk relating to an interest rate swap arises from the possibility that the counterparties to the agreements may default on their respective obligations under the agreements in instances where these agreements have positive fair value for the corporation. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligations to the corporation. Additionally, the corporation manages its exposure by contracting only with creditworthy counterparties who are rated AA or better by Moody's or Standard & Poor's.

17. Capital Management

The corporation's objective when managing capital is to maintain adequate levels of funding to support its activities.

In the management of capital, the corporation includes shareholder's equity, mortgage bond payable, term loans, notes payable and cash and cash equivalents. The corporation is subject to financial covenants in its credit agreements which are measured on a quarterly basis. CLC is in full compliance with all financial covenants.

CLC's capital is determined by the government. All short-term and long-term borrowings are approved by the Minister of Finance with respect to the amount, interest rate and term, and are included in the corporate plan which must receive Treasury Board approval.

18. Other Information

CLCL's major areas of business activities are the management, development and sale of real estate; and the entertainment and hospitality operations of the CN Tower and the InterContinental Toronto Centre Hotel.

Additional information on these activities is as follows:

In thousands	Real estate activities	CN Tower activities	Hotel activities	Total 2011	Total 2010
Revenues	$ 120,586	$ 54,832	$ 42,375	$ 217,793	$ 183,214
Amortization	2,928	5,589	4,098	12,615	12,245
Net income before tax	28,126	9,651	399	38,176	39,500
Expenditures on properties	25,470	2,463	1,197	29,130	34,749
Identifiable assets	329,525	95,255	101,417	526,197	538,212
Mortgage bond payable, notes payable and term loans	106,401	16,650	57,775	180,826	$ 211,030

19. Pension Plan

CLCL has a defined contribution pension plan covering all of its full-time employees and certain part-time employees in accordance with the plan. Employees are eligible to join either at the date of employment or after a year of employment. The amount of the current service cost charged to expense for this plan was $1.1 million for the year ended March 31, 2011 (2010 – $0.9 million).

20. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform to the presentation adopted in the current year.

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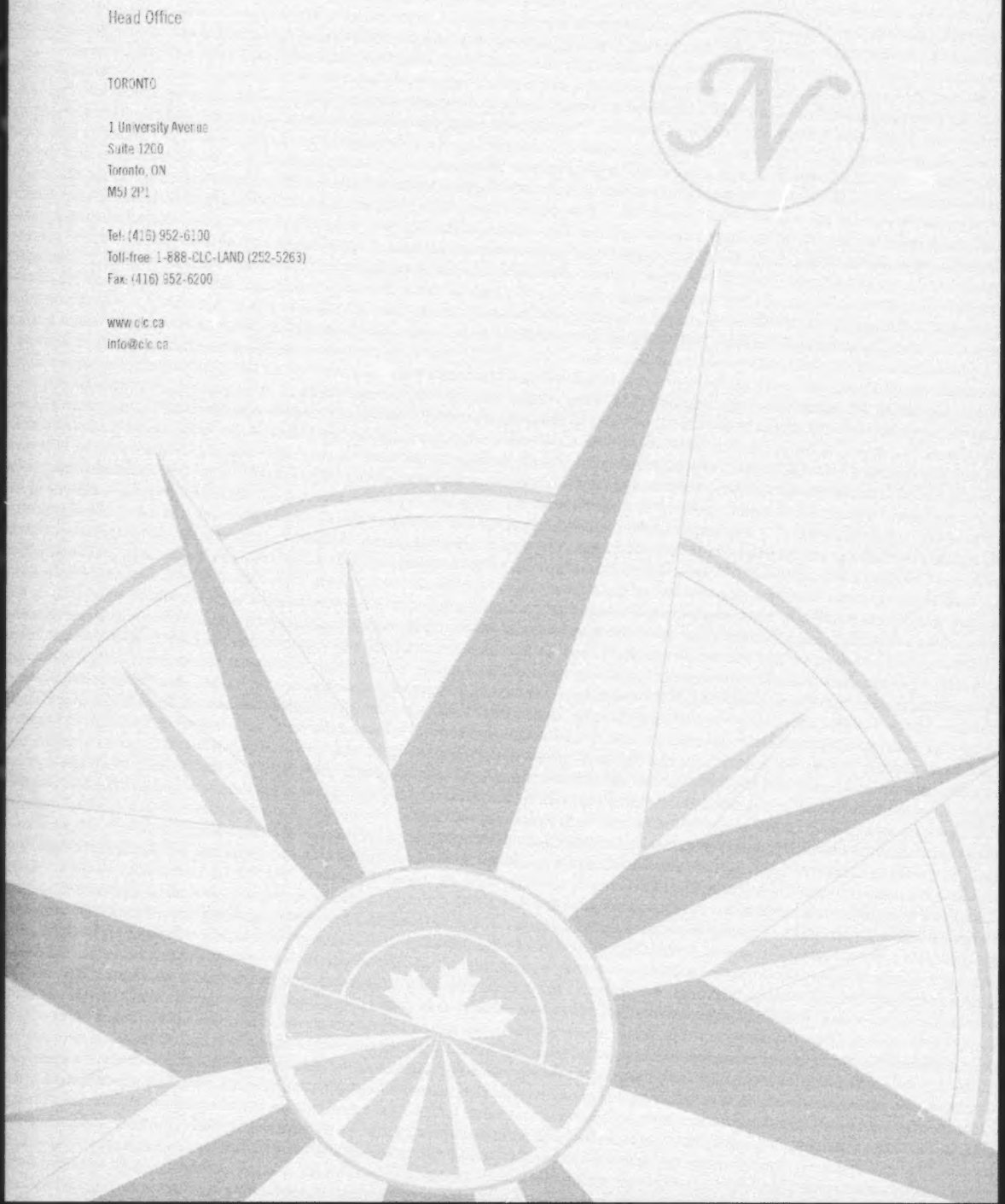

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